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| Austria | [illegible] | Iran | Rls210 | Pakistan | Rs30 |
| Bahrain | [illegible] | Israel | [illegible] | Philippines | [illegible] |
| Belgium | [illegible] | Italy | L2200 | Poland | Zl 11,000 |
| Cyprus | [illegible] | Jordan | JD1.20 | Portugal | [illegible] |
| Denmark | DKr13 | Korea | Won 2000 | Qatar | QR10.00 |
| Egypt | [illegible] | Kuwait | [illegible] | S.Arabia | SR9.00 |
| Finland | [illegible] | Lebanon | L£1,000 | Singapore | S$4.10 |
| France | FFr7.50 | Lux | LFr60 | Spain | Pta175 |
| Germany | DM3.00 | Malaysia | M$4.50 | Sweden | SKr13 |
| Greece | Dr250 | Morocco | MDh10 | Switz | SFr2.70 |
| Hungary | Ft145 | Neth | Fl 3.50 | Thailand | Bht50 |
| Iceland | IKr180 | Nigeria | Naira16 | Tunisia | Din0.800 |
| India | Rs20 | Norway | NKr13.00 | Turkey | L3000 |
| Indonesia | Rp3100 | Oman | OR1.20 | UAE | Dh6.00 |

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

FT No. 31,396




Wednesday March 6 1991

D 8523A

**CAR INDUSTRY**

**Japanese warning on exports to EC**

Page 5

World News

## Britain opens Heathrow airport to all airlines

The British government threw open London's Heathrow airport to all airlines in the biggest overhaul of British civil aviation since the privatisation of British Airways.

The decision is expected to intensify competition at the world's largest international passenger airport and spark off intense controversy within government ranks and the aviation industry. Page 18

### Serbs flee Croatia

Thousands of Serbs were reported to be fleeing Croatia following rumours that they faced slaughter by Croats. Croatian authorities estimated the refugees at 3,000, while the Serbian-based state Tanjug news agency said 20,000 had fled to Serbia.

### Cholera spreads

Health officials said that more than 20 cases of cholera had been confirmed in Ecuador in the first sign that the worst outbreak of the disease in Latin America this century is spreading beyond Peru.

### Journalist jailed

Journalist Patrick Laurence of The Star newspaper in South Africa was sentenced to 10 days in jail for refusing to reveal the sources of his report on the disappearance of a key witness in Winnie Mandela's kidnapping and assault trial.

### Albanian exodus

The flow of Albanians across the Straits of Otranto to Italy, in search of political asylum, continued as the Italian authorities began to set up refugee camps. More emigrés are expected in spite of attempts by Albanian port officials to prevent boats from docking. Page 4

### Torture claimed

Former Pakistan prime minister Benazir Bhutto demanded an inquiry into allegations that imprisoned activists of her party had been tortured.

### Rwanda kills rebels

Rwanda said it had repulsed a rebel attack in the country's mountainous north-west, killing at least 60 insurgents.

### Unannounced visit

German government sources said that Soviet defence minister Dmitry Yazov had visited his troops in eastern Germany at the weekend without informing Bonn.

### Kenya accuses US

Kenya accused the US of interfering in its internal affairs by calling for the release of dissident lawyer Gitobu Imanyara from detention.

### Colombia rejects bid

Colombia said it had rejected a rebel proposal to demilitarise a region of the country as a first step to beginning peace talks on ending over 25 years of guerrilla warfare.

### Frelimo challenged

A new Mozambican opposition group announced plans to challenge the ruling Frelimo party's 15-year monopoly of power and hold a founding congress in May.

### Afghan clashes kill 5

At least five people were reportedly killed in clashes between followers of rival guerrilla groups in Afghanistan's Takhar province.

### Exiles return

Almost 3,000 political exiles have been given permission to return to South Africa with immunity from prosecution. Repatriation is due to start tomorrow when 108 exiles return from Zambia.

### Last missile departs

The last British-based nuclear cruise missiles were flown out of the country to be destroyed in the US under an east-west arms reduction treaty.

Business Summary

## Volvo reports first overall loss for sixty years

Volvo last year suffered a SKr327m ($58.6m) loss after financial items, compared with a SKr6.654bn profit in 1989. It was the first time in nearly 60 years that the Swedish vehicle group reported an overall operating loss. Page 19; Renault results, Page 20

**MARKETS:** On Wall Street, the Dow Jones Industrial Average at midsession was quoted almost 40 points higher at 2,952. Stock markets in Amsterdam, Paris and Madrid all showed rises of almost 2 per cent on the day. In London, the FT-SE 100 share index closed 37.2 higher on the day at 2,420.1, within 50 points of its all-time closing high reached on January 3 last year. US and Europe, Back Page, Second Section; LSE, Page 29

**PAPELERA** Espanola, Spain's largest supplier of newsprint, suspended payments to its creditors after failing to reach agreement with principle bankers on rescheduling its debts, worth a total Pta23.5bn ($246m). Page 19

**CENTRUM**, East Germany's largest department store chain, has been sold after a year of tough negotiations, to the three big west German houses, *Karstadt, Kaufhof and Hertie*. Page 18

**PEARSON**, publishing, banking and industrial group, sold its 22.2 per cent stake in Elsevier, the Dutch publisher for £313m ($601m), realising a significant profit on its investment. Page 19; Elsevier profits, Page 20

**FORD** has signed a contract with Yamaha of Japan for the design and development of a small engine to be used in its European car range from the mid-1990s. Page 5

**ROYAL BANK** of Canada's first-quarter earnings were down by 15 per cent after a sharp rise in loan losses and non-performing loans more than offset higher interest income from the US. Page 21

**WERNER REY**, Swiss financier who controls Omni Holding, will retain primary responsibility of the debt-laden group. Page 19

**FISONS**, UK pharmaceutical and horticultural equipment group, said 1990 pre-tax profits were boosted by 36 per cent to £230.2m ($442m) Page 20; Lex, Page 18

**NINE** Network Australia, quoted television channel which is 52 per cent owned by Mr Kerry Packer's Consolidated Press Holdings reported net profits of A$13.82m ($10.73m) for the six months to December. Page 21

**POLYGRAM**, record company which is 80 per cent owned by Philips of the Netherlands, announced 1990 net income up 7.2 per cent to Fl 357m ($206m). Page 20

**HONG KONG** Aircraft Engineering Company, aircraft maintenance specialist controlled by the Swire Pacific group and its Cathay Pacific Airways subsidiary, reported a 4.9 per cent increase in after-tax profits to HK$289.4m ($37.1m) for the year ended December 31. Page 21

**JAPANESE** business confidence has declined because of the Gulf crisis and high interest rates, according to a quarterly economic survey published by the Bank of Japan. Page 3

**US FARM** exports, driven in the past by low prices and export subsidies, are expected to drop by $3.1bn this year despite the additional boost of the lower value of the dollar. Page 27

**ISRAEL'S** parliamentary finance committee has approved $100m in loan guarantees to the ailing Koor conglomerate, owned by Israel's trade union federation. Page 22

Shareholders' dividend halved as recession multiplies bad debts

# Midland Bank chief quits

**By David Lascelles**, Banking Editor, in London

SIR Kit McMahon, executive chairman of Britain's troubled Midland Bank, yesterday announced his departure as part of a series of changes at the top carried out with the help of the Bank of England.

Sir Kit is to be replaced in June by Sir Peter Walters, the former chairman of British Petroleum. A new position of group chief executive will be filled by Mr Brian Pearse, currently finance director of Barclays Bank.

The changes were accompanied by another poor set of results from Midland – Britain's third biggest bank – which also halved its dividend, a dramatic step not seen at a big UK bank since the 1930s, and one which underlines Midland's severe predicament.

The moves were initiated by the bank itself where Sir Kit and his board decided that a top level overhaul was needed to get the bank back to health. With the Bank of England's help, Sir Kit identified Sir Peter and Mr Pearse. The intervention of Mr Robin Leigh-Pemberton, the Bank of England's governor, was needed to secure the services of Mr Pearse, given the taboo against poaching of top executives among clearing banks.

Confirming the Bank of England's involvement, a spokesman said yesterday: "We have been kept closely informed. We are fully satisfied by the steps taken by Midland, including the senior appointments." Given the size of Midland's problems there was speculation that the Bank of England had put pressure on Sir Kit to go, but this was denied.

Sir Kit, who is 63, was not due to leave for another year. When asked at a press conference "Were you pushed?", he declined to answer.

The imminent departure of a man who was previously himself deputy governor of the Bank of England closes a five-year chapter at Midland which began with the bright promise of a new future and a merger with the Hongkong and Shanghai Bank, but ended in the gloom of a ruptured engagement, and the humiliating dividend cut. Although the UK

Midland Bank chairman Sir Kit McMahon: stepping down

recession added to Midland's difficulties, the bank also failed to overcome its fundamental problems of high costs and a weak balance sheet under Sir Kit's leadership.

Sir Kit said yesterday: "All banks have suffered, but our results are worse than the others."

Midland announced pre-tax profits of only £11m ($21.1). Although this was substantially better than the previous year's loss of £261m and came at the higher end of analysts' expectations, it was far below Midland's competitors. The cut in the dividend, from 18p to 9p, was deeper than the market had been expecting.

The main reason for the poor result was a heavy load of bad debts caused by the UK recession. Midland had to more than double its loan loss provisions to £703m. There was also a loss on the Treasury book because of mistaken decisions taken on the likely course of interest rates in 1989.

However, Sir Kit emphasised that Midland was getting to grips with its problems. He and his colleagues highlighted actions being taken to reduce costs, tighten up credit controls and encourage new business. The bank's difficulties had not affected its ability to attract deposits. Deposit and savings accounts rose by a third to £12.7bn.

The appointment of Sir Peter and Mr Pearse went down well in the City. Sir Peter, who turns 60 next week, is seen as a highly experienced businessman, who had previously been a director of the National Westminster Bank.

Mr Pearse, a 57-year-old banker who has spent his entire career in the Barclays group, was also considered to have the necessary drive to tackle Midland's problems.

After falling sharply, the shares recovered to 187p for a loss on the day of only 3p. Turnover was an exceptionally high 38m shares.

John Elliott in Hong Kong writes: A spokesman for the Hongkong and Shanghai Banking Corporation, which has a 14.9 per cent stake in Midland, said the dividend was "realistic in the light of these results".

The cut will be included in the Hongkong Bank's current year's figures. It will therefore not show up in its annual results for last year, to be published next Tuesday, which are expected show a significant fall compared with last year's pre-tax profits of HK$4.77bn.

Outsiders to the rescue – again; Editorial comment, Page 16; Lex, Page 18; Details, Page 24

# Moscow backs UN action on Gulf

*By Quentin Peel in Moscow*

MR JOHN MAJOR, the British prime minister, was last night flying from Moscow to the Gulf, with assurances from President Mikhail Gorbachev of continued Soviet support for joint action by the five permanent members of the UN Security Council to promote a lasting peace in the Middle East.

Mr Major is expected to arrive in Kuwait today on the first visit by a western leader since the rout of Iraq by the allied forces last week.

His departure for the former combat zone followed four hours of talks with Mr Gorbachev in which both sides underlined their commitment to joint peace moves, based on plans worked out by the Middle East states themselves.

At the same time, Mr Major pledged continuing support for Mr Gorbachev's reform plans in the Soviet Union, while still expressing dismay at the use of military force in the Baltic republics and his fears over the economic problems ahead.

He said the Soviet leader insisted he was still set on the path of economic reform, and promised that the Baltic republics could seek outright independence from the Soviet Union – provided they did so within the framework of the Soviet constitution. However, it was unclear how it was envisaged that this could be done as the constitution does not provide such a framework.

The principal achievement of the Mr Major's whistle-stop visit to Moscow seems to have been to ensure Soviet solidarity in the Gulf, and a first step to maintain the frankness and cordiality of the relationship that existed between Mr Gorbachev and Mrs Margaret Thatcher, the former UK prime minister.

"He is a formidable man, with a huge range of achievements behind him," Mr Major said of the Soviet leader, paying tribute to his "compelling" assurances that "he was determined to press on with his reforms."

On the Gulf, Mr Major said both sides agreed that the Middle East states must themselves decide the future security arrangements to prevent any repetition of Iraq's invasion of Kuwait. They also agreed the priority was to find a solution to the Palestinian problem. He said prospects for an Arab-Israeli settlement of the Palestinian issue "are

Continued on Page 18

Soviet president Mikhail Gorbachev ushers John Major into the Kremlin during the British prime minister's first, 24-hour visit to the Soviet Union

# Saddam's loyal forces gain ground in battle with rebels

**By Victor Mallet** in Kuwait City, **Tony Walker** in Riyadh and **Lionel Barber** in Washington

TROOPS loyal to President Saddam Hussein were last night using artillery and tanks to crush a revolt by military units centred on Basra, Iraq's second-largest city.

The Republican Guard, people's militia, police units and loyal members of the defeated Iraqi army appeared to have won back some control. In Washington last night, the State Department said the revolt had spread to nine cities.

The Supreme Assembly for the Islamic Revolution in Iraq (SAIRI), the Tehran-based Shia Moslem opposition grouping which claims to be behind the revolt, said rebels had taken over at least six cities and towns. These included the Shia holy cities of Kerbala and Najaf.

In Riyadh, an allied intelligence officer said although loyalist forces were recovering ground, the situation was finely balanced. "You get a sense it's growing," he said of the uprising. He added: "One thing Saddam Hussein does best is to handle situations like this." Two Republican Guard divisions, the Hammurabi and Medina, were said to be involved in the fighting. President Saddam was reported to have made his cousin, Mr Ali Hassan al-Majid, responsible for restoring order. Mr al-Majid, still technically minister of local government, was temporarily governor of Kuwait after last August's invasion. He was notorious for having crushed a Kurdish rebellion in the north.

A US lieutenant on the Iraqi-Kuwaiti border said there was artillery and tank fire around Basra on Monday night. US troops had been put on a chemical weapons alert after refugees streaming into Kuwait reported that military units loyal to Mr Saddam had been using gas to crush the uprising.

Republican Guard units were seen to reoccupy yesterday the previously deserted area between Basra and the Kuwaiti border to within a few kilometres of American positions.

Meanwhile, as many as 22 foreign journalists who went towards Basra on Sunday were still missing. Military briefers in Riyadh said many more checkpoints had been established throughout southern Iraq and army units were behaving as if they were under some form of central control.

The US continued to take a hands-off approach to the unrest. However, President George Bush has called on several occasions for the Iraqi people to overthrow Mr Saddam. Mr James Baker, US secretary of state, repeated earlier statements this week suggesting that future international aid to Iraq could be conditional on the removal of the Iraqi president.

Iraq yesterday appeared to be moving rapidly to comply with the UN resolutions in order to meet stiff US conditions for a permanent ceasefire. A permanent cessation of hostilities – rather than the current temporary arrangement – would allow allied forces to withdraw from southern Iraq and give the Baghdad regime more scope to restore order.

Gulf reports, Page 2

# UK unveils far-reaching reforms in telecom industry

**By Paul Abrahams** in London

PLANS FOR a far-reaching reform of the British telecommunications industry were unveiled by the UK government yesterday in a move designed to introduce greater competition in the provision of *fixed-link telecommunication* services.

A white paper published by the Department of Trade and Industry says the duopoly of British Telecom and Mercury Communications should be ended by allowing more competition in both local and long-distance markets. It is specifically designed to benefit business customers, although the cost of calls for all users will be reduced by 6.25 per cent a year in real terms.

The policy document opens the way for the government to sell its remaining 49 per cent stake in BT, now worth about £9bn ($17.3bn).

The new policy marks a watershed in the development of the UK telecommunications market, with a shift from the limited competition between BT and Mercury to a much more open market.

In a decade the UK has moved from having its telecommunications services provided by a state monopoly to a position where it will match the US as one of the most liberalised telecommunications markets in the world, populated by a competing group of private sector telecommunications groups.

The policy was only agreed after a fierce power strugle within the industry, in which BT fought against proposals to promote competition. At one stage it threatened to delay liberalisation by forcing the proposals to be referred to the *Monopolies and Mergers Commission*.

Announcing the new policy, Mr Peter Lilley, trade and industry secretary, told the House of Commons that the proposals would deliver lower prices, wider choice and a better deal for the customer.

All applications for licences would be considered on their *merits and licences would* be granted unless there were specific reasons to the contrary, Mr Lilley said.

A formula has been drawn up between the government and BT under which the price of domestic and international calls will fall by 6.25 per cent a year in real terms. The previ-

Continued on Page 18



CONTENTS



**Portugal faces new demands to compensate shareholders**

Renewed demands for *higher compensation* from former shareholders in nationalised Portuguese companies are a recurring irritant for prime minister Anibal Cavaco Silva (left). Page 4

MARKETS

**STERLING**
**New York lunchtime:**
$1.8955 (1.8993)
**London:**
$1.902 (1.897)
DM2.915 (2.915)
FFr9.9325 (9.9225)
SFr2.54 (2.5375)
Y257.5 (257.0)
£ index 93.8 (93.7)

**GOLD**
**New York:** Comex Apr
$368.3 (369.75)
**London:**
$365.3 (365.75)

**N SEA OIL** (Argus)
Brent 15-day Apr
$19.65 (19.60)

Chief price changes yesterday: Page 19

**DOLLAR**
**New York lunchtime:**
DM1.54 (1.53285)
FFr5.245 (5.22)
SFr1.3415 (1.3357)
Y135.9 (135.53)
**London:**
DM1.533 (1.5365)
FFr5.2225 (5.23)
SFr1.335 (1.338)
Y135.35 (135.5)
$ index 61.9 (62.1)
**Tokyo close:** Y134.88

**US lunchtime rates**
Fed Funds 6 7/8 %
**3-mo Treasury Bills:**
yield 6.23%
**Long Bond:**
95 22/32
yield 8.24%

**STOCK INDICES**
**FT-SE 100:**
2,420.1 (+37.2)
**FT Ordinary:**
1,946.0 (+27.9)
**FT-A All-Share:**
1,171.35 (+1.4%)
**New York lunchtime:**
DJ Ind. Av.
2,958.17 (+44.06)
S&P Comp
375.11 (+5.78)
**Tokyo:** Nikkei
25,913.48 (-62.54)

**LONDON MONEY**
**3-month interbank:**
close 12 21/32% (12 11/16)
**Liffe long gilt future:**
Jun 92 5/32 (91 15/32)

# The man who would replace Saddam

## Edward Mortimer looks at prospects for 'the biggest religious man in Iraq'

REPORTS from refugees fleeing Basra that Iraqis are calling for Sayeed Mohammed Bakr al-Hakim to replace President Saddam Hussein constitute the first independent evidence of support inside the country for any of the exiled opposition leaders.

They refer to "the biggest religious man in Iraq". Sayeed Mohammed leads the Supreme Assembly (or Council) of the Islamic Revolution in Iraq (Sairi), a body set up in Tehran in 1982, at a time when Iran was driving Iraqi forces out of its territory and hoped soon to be in a position to install an Islamic revolutionary government in Baghdad.

Sayeed Mohammed was born in the holy city of Najaf, close to the Euphrates, in 1939. His father, Ayatollah Mohsen al-Hakim, who died in 1970, was indeed "the biggest religious man" in the world of Shia Islam, in the eyes of his Iraqi followers, and indeed was recognised as such by the late Shah of Iran. Sayeed Mohammed himself was trained as a religious scholar *(mojtaheed)*, but has not in fact reached any great eminence in that capacity. His followers have lately taken to referring to him as "Ayatollah", but he is not recognised as such by other ayatollahs.

His religious credentials are mainly hereditary – the title "Sayeed" implies descent from the Prophet – and his own activities and writings have been mainly political.

Twice in the 1970s he was arrested and tortured by the Ba'ath regime, on the second occasion being condemned to life imprisonment, but then released (in 1978) under a general pardon, after which he was kept under house arrest.

He was closely associated with Sayeed Mohammed Bakr al-Sadr, Iraq's most learned native ayatollah, who after the Iranian revolution was identified by Radio Tehran's Arabic service as "the Khomeini of Iraq", and who (perhaps for that reason) was summarily hanged on the orders of President Saddam Hussein in April 1980.

> Saddam Hussein arrested 125 members of the Hakim family, executing ten of them

After this Sayeed Mohammed Bakr al-Hakim escaped to Syria, from where he made his way to Iran. In October 1980, soon after the beginning of the Iran-Iraq war, he was presented to the press in Tehran as the person capable of "gathering round him all the opposition forces in Iraq".

It took time, however, for him to gather even the Islamic Shia forces, since he lacked the authority of Ayatollah Sadr. It was not until 1982 that Sairi was formed, bringing together various Islamic groups including the Da'wa (Islamic Call) party, the Mujahideen, and the Organisation for Islamic Action. Until 1987 Sayeed Mohammed shared the leadership with another associate of Ayatollah Sadr, better known as a scholar, Sayeed Mahmoud al-Hashimi.

The Hakim family felt the wrath of Saddam Hussein in 1984, when 125 of its members were arrested, ranging in age from nine years old to 75. Ten of them were executed the following year.

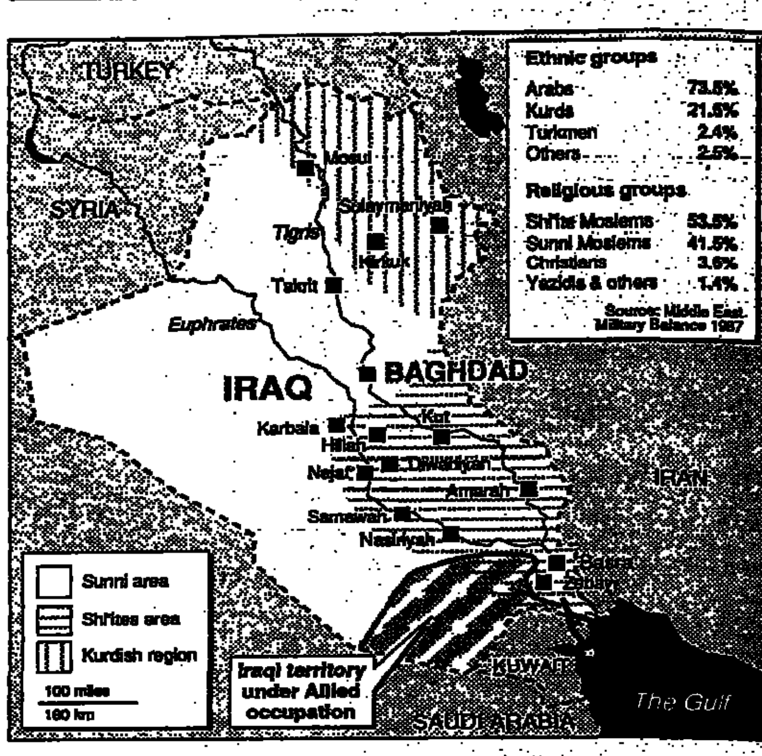
In 1988 Sayeed Mohammed's elder brother Mr Mehdi al-Hakim, a more independent-minded activist who had chosen to base himself in London rather than Tehran, was assassinated by Iraqi agents while attending an Islamic conference in Khartoum.

Over the years, and especially since the end of the Iran-Iraq war, Sayeed Mohammed and his followers have developed closer relations with secular opposition groups, and have accepted the idea that once Saddam Hussein is ousted the future of the country should be decided in free elections.

Sairi was one of 17 organisations to sign a joint statement calling for democracy and human rights in Iraq on December 27, and it is represented on a five-man action committee then formed to lead the united opposition.

After war broke out on January 17 Sayeed Mohammed issued a statement saying that if the allies invaded Iraq he might have to sink his differences with Saddam Hussein *and join in the defence of the* country. It seems unlikely, however, that he will act on this threat in present circumstances.

**IRAQ'S RELIGIOUS AND ETHNIC GROUPS**




# US steers 'twin-track' route in Mideast

**By Lionel Barber in Washington**

AS Mr James Baker, US secretary of state, prepares to launch the first phase of post-war diplomacy in the Middle East this week, the outlines of a fresh US approach to the region are beginning to emerge.

Mr Baker, whose tour will include stops in Saudi Arabia, Syria, the Soviet Union, Turkey, and a first visit to Israel at the weekend, describes it as a "twin-track" process.

"We have got to find a way for Arab states and Israel to make peace, and we have got to find a way for Israel and Palestinians to begin a dialogue," he said last weekend.

This represents a new order of priorities. In the first 18 months of the Bush administration, Mr Baker emphasised the primacy of the Palestinian issue, attributing near-magical properties to an Israeli-Palestinian dialogue as a catalyst for regional peace.

The US has now accepted the argument put forward by Mr Yitzhak Shamir, the Israeli prime minister, that a new attempt to resolve the Israeli-Palestinian problem should be linked to progress in relations between Israel and Arab states such as Saudi Arabia, Syria and Jordan.

More reluctantly, the administration has also accepted Israel's argument that it deserves US compensation for war damage during the Gulf conflict.

Despite hints that Mr Baker wanted to use the Israeli demand as leverage, the administration has bowed to congressional pressure and indicated it will support at least \$500m (£260m) in cash and military aid – still short of what Jerusalem wants.

The "new thinking" in Washington aims to create a series of mutually reinforcing confidence-building measures between Israel and her neighbours in which both sides might eventually feel able to make concessions.

Several ideas are under study at the US State Department. Saudi Arabia might, for example, take the lead in modifying or ending the Arab boycott of Israeli products; in return, Israel would be expected to ease the clampdown in the occupied territories of the West Bank and Gaza Strip.

The US might also encourage tentative steps by Israel and Syria to mend relations and settle the disputed Golan Heights. At a later stage, Mr Baker might propose formal talks between Israel, Syria and Jordan on scarce water resources. (Informal talks are already underway using Mr Richard Armitage, the seasoned US troubleshooter, as a special envoy).

These confidence-building steps draw inspiration from an earlier phase in post-war diplomacy: the Helsinki process which helped to reduce east-west tensions and led to the Conference on Security and Co-operation in Europe in 1975. The advantage from President George Bush's viewpoint is that this approach defuses pressure for an early international peace conference, in the run up to the 1992 presidential election.

What is striking is how the US has persuaded the Europeans to tone down their calls for a Middle East peace conference. The implicit trade-off is to allow Europe to share some of the diplomatic burden – a point specifically raised by Mr Hans-Dietrich Genscher, Germany's foreign minister, in his visit to Washington last week.

Mr Genscher has already begun to take a higher profile in the region, reportedly persuading King Hussein of Jordan to consider reviving efforts to put together a joint Jordanian-Palestinian delegation to negotiate with Israel. The EC foreign ministers, meanwhile, are sending three of their number to the Middle East this week, ahead of Mr Baker.

President Bush appears relaxed about the diplomatic initiatives, but he remains concerned about co-ordination. To this end, he will hold talks with President François Mitterand of France on the island of Martinique on March 14, and with Mr John Major, British prime minister, on Bermuda two days later.

● The first large contingent of US troops will return from the Gulf tomorrow and President Bush plans a welcoming ceremony at Andrews Air Force Base. The troops will include members of the 82nd Airborne, the first forces deployed in defence of Saudi Arabia last August.

# Kuwait's rulers impose curfew

KUWAIT'S rulers imposed an indefinite night curfew yesterday a week after occupying Iraqi troops fled in the face of an allied assault, Reuter reports from Nicosia.

The official Kuwait News Agency KUNA, received in Cyprus, said the curfew would be in force between 10pm and 4am. KUNA, whose report was unsourced, said the curfew was imposed "to complete security and stability aspects in the country."

The emir of Kuwait, Sheikh Jaber al-Ahmed al-Sabah, last week imposed martial law for three months and appointed his crown prince and prime minister, Sheikh Saad al-Abdulla al-Sabah, as military governor-general.

Kuwait denied yesterday that Palestinians were being mistreated, saying wrongdoers were being pursued regardless of nationality.

"Some irresponsible elements in Palestinian circles have been repeatedly making false allegations and lies to the effect that the authorities in Kuwait have started acting against the Palestinian community," said foreign minister Sheikh Sabah al-Ahmed al-Sabah.

KUNA said in a commentary that reports of attacks on Palestinians appeared designed to drive a wedge through the country.

There were an estimated 400,000 Palestinians living in Kuwait on the eve of the Iraqi invasion last August. To most of them, Kuwait was the only home they knew.

Nearly 170,000 are still in Kuwait, accused by some Kuwaitis of collaborating with Iraq during its seven-month occupation.

Kuwaiti activists in Cairo will meet in London next week to launch a fresh campaign for the return of a democratically elected parliament.

Religious, secular and business leaders who led thousands of protesters through the streets of Kuwait before Iraq's invasion said on Tuesday they would announce a coalition to press the ruling Sabah family to share its power.

"What we are after is a democratic system, and we want it immediately," said Ali al-Bidah, head of an eight-member committee organising the March 14-15 meeting.

● A prominent Kuwaiti banker said yesterday Kuwait's ruling family had drawn up a hit list of members of the country's democratic opposition and hired assassins to kill them.

"We have strong evidence that some members of the Sabah family are setting up...assassination tasks here in Kuwait," said Abdul Aziz Sultan, chairman of the Gulf Bank of Kuwait, the country's second largest, in a US television interview.

# Britain and Israel patch up relations

**By Robert Mauthner, Diplomatic Correspondent**

BRITAIN and Israel yesterday patched up their previously cool relations with an expression of mutual appreciation and sympathy which owed much to Israel's restraint during the Gulf war, when it refrained from retaliating against Iraq's Scud missile attacks.

Talks in London between Mr Douglas Hurd, the British foreign secretary, and his Israeli opposite number Mr David Levy were described as "constructive and useful" and "atmospherically very good" by the Foreign Office.

While it was clear there had been no real breakthrough on how regional security problems and the Palestinian issue, in particular, should be handled in the aftermath of the Gulf conflict, British officials said that Mr Levy's approach appeared to be more positive than before.

Mr Levy, who had expressed concern before his visit at Mr Hurd's continued emphasis on the need for Israel to withdraw from occupied territories and the right of the Palestinians to their own homeland, was relieved to find that he did not come under much pressure in London.

While Britain, believes an international conference on the Arab-Israeli problem is needed "at an appropriate time," Mr Hurd made it clear that did not mean immediately.

The ministers agreed that, for a conference to succeed, it had to be carefully prepared. Nor was there any point in calling it if it was not clear who would attend or who would represent the Palestinians.

Kuwaiti refugees wait at a checkpoint outside Kuwait City as troops scutinise their identities yesterday

# Paris softens peace conference stance

**By Ian Davidson in Paris**

THE French government yesterday appeared to soften its advocacy of an international conference as the essential procedure for seeking a *peaceful settlement to the conflict* in the Gulf and to the other problems of the Middle East region.

President François Mitterrand has long supported the case for a Middle East conference, but yesterday a senior French official stressed that France was not fixated on an international conference as the only feasible mechanism, but was prepared to envisage any procedure which would help the peace process.

The apparent shift in position may be directly connected with the fact that President Mitterrand is due to have a brief meeting with President George Bush in Martinique on Thursday next week.

Mr Mitterrand revived his proposal for an international *conference last September 24* in an address to the UN General Assembly, in the hope that the extension of such an offer would help induce Mr Saddam Hussein to evacuate Kuwait.

But yesterday the French official soft-pedalled the idea. "Our proposal has been represented by others in a caricatural fashion," he said.

"We are not maniacs or fetishists, but very pragmatic. We are ready for any procedure, any forum, including direct bilateral contacts, provided it works, and provided it addresses the regional problems of the Middle East."

# UK group to tackle emirate's water repairs

**By Andrew Taylor, Construction Correspondent**

A TEAM of about 20 British and 80 Saudi Arabian engineers will start work next week on the first emergency repairs of Kuwaiti water and sewerage systems to be done by a British company.

*Shand* Construction of Derbyshire, part of the privately owned Morrison Construction Group based in Edinburgh, has been awarded the water and sewerage contract by the US Corps of Engineers.

The corps has been awarded a \$46m (£23.9m) contract by the Kuwait government to manage emergency repairs and reconnect essential services following the end of the war. It has so far awarded contracts to three US groups, one Saudi Arabian company, one Kuwaiti and one British company.

Mr Fraser Morrison, chairman and chief executive of Morrison Construction, said yesterday the first six British engineers would be flying to Kuwait this weekend, as soon as they had obtained visas.

"These will immediately start work with US and Kuwaiti engineers assessing the damage and establishing priorities for work to be carried out," said Mr Morrison.

He said the company would be taking some labour and plant from Al Rasheed Shand, a former joint venture partner in Saudi Arabia. It had also made arrangements to hire plant and equipment and labour from other Saudi Arabian companies.

The contract, believed to be worth about \$3m, will involve construction and repair work as well as damage assesment surveys. "We would expect to start some physical construction work by the end of next week," said Mr Morrison.

# Journalists missing on the road to Basra

**By Tony Walker in Riyadh**

THERE WAS increasing alarm last night over the whereabouts of about 26 journalists who have disappeared in southern Iraq on the road between the Kuwaiti border and the beleaguered city of Basra.

The reporters set off in convoy on Monday and passed through allied lines towards Iraqi forces grouped south of Basra. No word has been heard of them since.

In Riyadh yesterday an allied spokesman released a list of 11 reporters and photographers who were officially listed as "missing". The list included a two-man *Cable News Network television* crew, two Reuters photographers, five Italian journalists, a correspondent for the New York Times and an American radio reporter.

France subsequently announced that 15 French reporters and photographers were also unaccounted for after setting off for Basra, scene of three days of street battles between rebel forces and Saddam Hussein loyalists.

A spokesman for the allied Joint Information Bureau was highly critical of the reporters, saying "it was a stupid idea to drive up to Basra. There was no protection. . . I think they have made a terrible error".

Meanwhile, the release of Iraqi and allied prisoners of war has been delayed for 24 hours because of bad weather.

Iraq yesterday released all 35 of its remaining allied PoWs, including 15 Americans and nine Britons. They are expected to leave Iraq today after the delay. A Saudi spokesman said it was hoped that 294 Iraqis could be flown to Baghdad. The allies are holding more than 100,000 Iraqi PoWs.

An Iraqi spokesman yesterday made no mention of thousands of Kuwaiti detainees reported to be in Iraq: their release is a conditions for the ceasefire and withdrawal of allied forces from Iraqi territory.

**Jimmy Burns adds:** Thirty-two Iraqis held as prisoners of war at a military camp in Britain since the middle of January are expected to be released today, according to Ministry of Defence officials.

However, there was no official indication last night that a further 33 Iraqis and Palestinians detained in civilian prisons by the Home Office as a "national security risk" would also be released.

# Kuwaiti oil men tot up cost of Iraqi destructiveness

## Up to 15 per cent of the emirate's reserves will go up in smoke, reports Victor Mallet from Ahmadi, Kuwait

IT IS difficult to imagine a greater environmental or commercial disaster than the wilful destruction of the Kuwaiti oil industry by Iraq.

Yesterday in the Greater Burgan field, one of the world's largest, burning crude oil and gas were spurting from dozens of sabotaged high pressure wells with a thunderous roar. The same is true of Kuwait's other fields.

Instead of producing about 1.5m barrels a day, the country is watching in horror as an estimated 6m b/d goes up in thick black smoke, damaging oil reservoirs, reducing the amount of sunlight reaching the earth and thereby reducing the temperature in parts of Kuwait by several degrees.

At one of the Burgan wells which failed to explode, a red bag of explosives attached to a wire and wedged against the wellhead by sandbags could still be seen yesterday.

Crude oil from damaged wells which are not burning flows over the road and the desert in a treacly brown sludge, but Kuwaiti officials are more concerned about toxic hydrogen sulphide which may be blown into populated areas from oil wells in western Kuwait.

Of all President Saddam Hussein's acts since the invasion of Kuwait, the destruction of the oilfields was surely the most incomprehensible and spiteful, since it could serve the interests of his regime neither in victory nor defeat.

"I can only describe this one way – horrible," said oil fire fighter Mr Joe Bowden, of Wild Well Control. "It's a criminal injustice to the whole world. It will take time but we will be able to do it."

Officials of the Kuwait Oil Company (KOC), the exploration and production arm of the Kuwait Petroleum Corporation, said yesterday that it could take one or two years to bring the situation under control and five years for Kuwait to regain its previous level of oil exports.

In the meantime they hope to begin producing about 50,000 b/d for local power stations and for domestic gasoline consumption.

The only construction work carried out by Iraq during its seven-month occupation of the Kuwaiti oil fields was for the war effort. Mr Ahmed Murad, one of KOC's managers at the company's headquarters in Ahmadi, said the Iraqis built 400km of pipelines. Some of them were to fill the burning oil trenches which formed part of their front-line defences.

The Iraqis also built two 45-km long, 16-inch pipelines from the Rawdatain field in the north to the island of Bubiyan, apparently because they planned to flood the sea with crude oil as they did from the offshore loading point at Ahmadi.

Mr Murad said the destruction wrought by Iraq could reduce Kuwaiti oil reserves by 10 to 15 per cent, while reduced pressure in the fields and water contamination caused by the over-rapid flow might require the use of secondary recovery techniques and raise the cost of production fourfold.

On Monday, KOC officials met representatives of specialist US companies which will try to put out the fires as soon as the fields are cleared of mines and unexploded munitions.

Mr Murad named them as Red Adair, Evergreen Air, Boots & Coots and Drilling Experts OEG.

The damage extends beyond the wells themselves. According to Mr Murad:

● of about 1,000 wells in Kuwait, 800 were damaged, but some did not ignite or subsequently burned out. About 550 wells are ablaze. It is estimated that three quarters of the wells can be capped from the surface after the fires are blown out by explosives, and some of the easier ones could be dealt with in a couple of days. But the rest will need to be plugged from the bottom, a costly process which means drilling into the old well so that mud or concrete can be pumped in.

● most of Kuwait's 26 gathering centres and gas oil separation plants, each of which collect about 100,000 b/d from 30 to 40 wells, are damaged.

● some storage facilities have been destroyed, including the 13m barrel facility at Ahmadi, but that is not an immediate priority since there is no oil to store.

● much of the oil industry's ancillary equipment has been destroyed by the Iraqis or the allies or stolen by Iraq. \$80m of equipment has been lost by the KOC in Ahmadi alone. The company's headquarters office, one of the oldest buildings in the country, was burnt down.

● Kuwaiti refineries have not been extensively damaged.

The Financial Times (Europe) Ltd
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: B. Hughes, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

## INTERNATIONAL NEWS

# Agencies warn of Africa's critical food shortages

By Michael Holman, Africa Editor, in London

AID AGENCIES warned yesterday of "a disaster of monumental proportions in the making" in Sudan where nearly 8m people need emergency food aid because of shortages created by war and drought. A further 6m people in Ethiopia, their numbers swollen by refugees from Somalia, are also at risk.

At a press conference in London officials from Oxfam, the British agency, and the World Food Programme, said that food pledges so far meet only one third of the amount needed.

In a new Ethiopia appeal, the World Food Programme warned that the shortfall in food pledges and cash needed for transport and handling had lead to "a dramatic situation which needs to be addressed immediately and prior to the onset of the lean season between May and October, especially in Eritrea where there is no short season crop to tide the population over".

The crisis in Ethiopia has been exacerbated by the recent conflict in Somalia. Mr John Mcgrath, an Oxfam official who has recently returned from the region, told the conference that up to 200,000 refugees from Somalia have arrived to join the 370,000 existing refugees in the country.

The situation is even more critical in Sudan, say relief officials. "Speedy action by all donors and relief agencies is needed to prevent a major catastrophe," Oxfam said yesterday, adding that there were fears that "for many people it is already too late".

Other countries in Africa are badly affected by food shortages, say aid agencies.

Over a million Liberians need food, while in Angola a United Nations special relief programme for nearly 2m people has had to be suspended because of the civil war. Malawi needs help in caring for over 800,000 refugees from Mozambique.

In Mozambique itself the situation could become "critical" after July. Nearly 2m war displaced Mozambicans need feeding, and renewed road attacks by rebels have stopped some grain convoys.

In a separate warning the Save the Children aid agency said that up to 15m children "are caught in the pincer of war and famine in Africa".

Central bank's survey shows little evidence of serious slowdown

# Japan's business confidence hit by crisis in Gulf

By Stefan Wagstyl in Tokyo

JAPANESE business confidence has declined because of the Gulf crisis and high interest rates, according to a quarterly economic survey published yesterday by the Bank of Japan. But the survey indicates there is little evidence of a serious slowdown across the economy.

Economists said confidence was higher than expected, given that the central bank's survey was conducted between January 18 and February 15 – the height of the Gulf crisis. Business activity was still relatively high, they added.

"The overall result is positive, bearing in mind the time the survey was done. It means it is unlikely the BoJ will be cutting interest rates soon," said Mr Keikichi Honda, head of research at the Bank of Tokyo.

Prices in the stock and bond markets were hit as hopes of an early cut in interest rates receded. The Nikkei index of leading shares closed down 62.54 points at 25,913.48.

Central bank officials are likely to maintain their current tight grip on the money supply. Mr Yasushi Mieno, the governor of the Bank of Japan (BoJ), told a parliamentary committee that prices needed further close monitoring amid continued tightness in the markets for manufactured goods and for labour.

According to the bank's survey, the index of large manufacturing companies expecting business to be good in coming months dropped three points, from 42 in the last survey. For non-manufacturing companies the index fell from 47 to 44.

The falls were particularly severe among property companies, which cited high borrowing costs as a problem. Small service companies were hit by a combination of high interest rates and difficulties in hiring labour.

Generally, companies reported a deterioration in their cash positions. For the first time since August 1981 a majority of companies said they expected their liquidity positions to worsen.

Manufacturing companies expect a decline in capital investment of 1.1 per cent in the financial year starting in April – the first reduction in four years. Non-manufacturing companies expect a modest rise of 1.1 per cent. Central bank officials pointed out that last year's level was very high.

Labour shortages remain acute, the survey says, putting pressure on prices generally. This was taken by economists as a sign that the Bank of Japan would pay close attention to this year's wage negotiations, which reach a climax later this month.

Trade union leaders are seeking increases of 8 to 9 per cent. Employers want to see a figure close to last year's average of 5.94 per cent.

For this reason, business leaders have been unusually supportive of the central bank's tight credit policy. Leaders of Keidanren, the main employers' federation, have endorsed Mr Mieno's policy, even though some of their members are complaining about an economic slowdown.

So far, the clearest sign that the slump which hit the financial and property markets last year is spreading to the real economy is in the car industry, where manufactures are cutting production plans to cope with a decline in demand.

# Fed takes action on BCCI

By Alan Friedman in New York

THE Bank of Credit and Commerce International, the Luxembourg-based bank which last year saw two subsidiaries admit to having laundered millions of dollars on behalf of Panama's former ruler General Manuel Noriega, has been instructed by the US Federal Reserve to sell its shareholding in a company which controls Washington's biggest bank.

The Federal Reserve order, signed by both US regulators and Mr Zafar Iqbal, chief executive of BCCI, also requires BCCI to cease all banking operations in the US.

BCCI is required to submit a written plan within 60 days to divest shares in Credit and Commerce American Holdings NV (CCAH).

CCAH is the holding company for First American Bankshares, a Washington bank with $11bn (£5.8bn) of assets which is chaired by Mr Clark Clifford, a former presidential adviser and former secretary of defence.

Mr Robert Morgenthau, Manhattan's district attorney, said his office had been investigating alleged money laundering by BCCI's New York office and the veracity of various filings of CCAH statements to US authorities.

The district attorney said the Fed order meant that BCCI would now be "out of the country". BCCI could not be reached for comment yesterday and has declined in the past to say whether it controls First American.

# New orders in US decline again

By Peter Riddell, US Editor, in Washington

NEW ORDERS for US manufactured goods dropped a further 1.7 per cent in January, the third decline in a row, pointing to a further weakening in output in the immediate future. Orders for both durables and non-durables fell; the 1.8 per cent decline in the former was twice as large as initially estimated.

However, there have been some signs that the worst is over. The monthly purchasing managers' index picked up in February for the first time since last May, with a slight rise in the new orders component.

The Commerce Department said the decline in new orders for durables resulted mainly from lower demand for electrical machinery and transportation equipment, with orders for aircraft especially volatile.

The fall in non-durable orders reflected lower demand for food and petroleum products. Unfilled order slipped back 0.2 per cent in January, for the second time in three months, while manufacturers' inventory was unchanged in the month.

The administration is confident the economy will start picking up, especially with the boost to consumer and business confidence provided by the end of the Gulf war.

Mr John Robson, the Treasury deputy secretary, told a Congressional committee yesterday that the administration believed "there may be latitude for further movement [in easing]."

# Argentina threatens rail sell-off

By John Barham in Buenos Aires

ARGENTINA has threatened to privatise all rail services to force an end to a three week-long wildcat strike that has developed into the most serious challenge to President Carlos Menem's effort to tame trade unions.

Mr Domingo Cavallo, the economy minister, said that the railways would be closed until they were privatised, unless the strike ended immediately.

Mr Orlando Norberto, a strike leader, said: "This is lunacy. I'm not sure if they are serious or if it's an attempt to break the strike."

Mr Eduardo Nava, the rail network's administrator, said yesterday that everyone wanted a swift return to normal running of the strike-hit services.

President Menem compromised yesterday by offering a 25 per cent pay increase and a $53 advance; strikers are demanding a 200 per cent increase.

Mr Cavallo said the rail system, Ferrocariles Argentinos, which transports 1.2m passengers daily, lost $480m annually. He said its closure would save the Treasury $10m a month in operating subsidies.

The government has laid on an emergency bus service to compensate for lost rail services.

Argentina has already sold a railway line to a group of local and foreign investors. The sale took 18 months to negotiate.

# Pretoria investigates life office

By Philip Gawith in Johannesburg

THE South African government has launched an investigation into alleged trading irregularities at Old Mutual, the country's largest life office.

This follows an internal investigation which revealed that crimes may have been committed. Two members of staff were suspended on February 14 in connection with the investigation.

Mr Kobie Coetsee, the minister of justice, and Mr Barend du Plessis, the minister of finance, jointly announced a senior team to investigate the affair. It includes Attorney-General Mr Frank Kahn SC, the Registrar of Financial Institutions, senior Department of Finance officials, the SA Police, members of the Reserve Bank (central bank) and the private sector.

Mr Gerhard van Niekerk, Old Mutual's chief operating officer, said "a few investment transactions recently came to light which individually appeared completely normal but collectively showed a suspicious trend".

He said the matter had been handed over to the authorities as soon as it appeared a criminal investigation might be warranted. Mr van Niekerk said there was no indication that individual policyholders or unit trust investors had been, or were likely to be, prejudiced. Pension funds that might be affected had been notified.

# Reform rift likely to tarnish Peru's image

By Sally Bowen in Lima

PRESIDENT Alberto Fujimori of Peru has suffered a political setback, following a public rupture between his government and a key presidential adviser.

The split is likely to damage the international financial community's image of Peru, which had been improving steadily since Mr Fujimori took office in July 1990.

The rift was over promulgation of a decree on the "democratisation of government decision-making". Mr Hernando de Soto considered the reform as the cornerstone of all other structural changes on the agenda of his Institute for Freedom and Democracy (ILD), an informal think-tank for the Fujimori administration.

The decree provides for prior publication and popular consultation on a wide range of the 26,000 legal acts promulgated each year in Peru. President Fujimori had announced the reform with apparent enthusiasm last week.

But his cabinet cut it mercilessly; it was finally published in an form unacceptable to the ILD, which accused ministers of "opting for authoritarianism".

Mr de Soto had been Peru's chief negotiator with the US on a new bilateral drug-trafficking policy. The agreement – which has saved Peru from possible disqualification from US aid – is almost ready for signature. He had also played a key role in establishing contacts to normalise Peru's international financial relations.

Mr de Soto explained that all other ILD-proposed reforms – which include crop substitution projects for coca-growing farmers, reform of the judicial system, and administrative simplification – depended directly on the Fujimori government's commitment to the democratisation of decision-making.

Alberto Fujimori: facing a political setback

"Without this reform, all the major structural changes needed in Peru cannot come about," he said. "Everything else is negotiable, but not this."

Mr de Soto said that, despite his close involvement in the still inconclusive procedures for re-establishing Peru's international financial relations, his departure should not affect the process. Diplomatic sources interpreted the estrangement between the government and the ILD as serious, especially for Peruvian-US ties.

Opposition to Mr de Soto has recently increased; the media has increasingly referred to him as "the informal President" or even "the Rasputin of Lima."

# Germans to win most bids for Soviet army housing

By Leyla Boulton in Moscow

SOVIET authorities have put out the first of several tenders for the German-financed construction of DM7.8bn (£2.7bn) worth of housing for troops returning from Germany.

Twenty-four western companies are preparing bids for a tight March 25 deadline, but German construction companies are likely to get the lion's share of the contracts. Germany is paying for the construction of 36,000 flats as part of a compensation package for Moscow to withdraw its 370,000 troops from former East German territory by the end of 1994.

The first tender, for the construction of 4,522 flats in four towns (two in the Russian Federation, one in Belorussia and another in the Ukraine), will be followed by several others in close succession. The first batch of flats is due for completion by the end of March 1992.

Fourteen bidders in this round are German, including Strabag and Dywidag, Philipp Holzmann and Hochtief. There are also four Turkish companies including Enka, three from Finland including Polar and Haka, two French companies including Dumez, as well as one each from Austria and Italy. Successful bidders are due to be chosen by the end of March, with contracts to be signed in April, and work to begin in May.

Non-German companies fear, however, that they may be competing on unequal terms. They point to the fact that five German consulting firms hired by Bonn are taking part in the selection process, together with Soviet defence and foreign trade officials.

"The Germans are saying that they have to prove to domestic opinion that Germany will get something out of this aid to the Soviet Union," said an executive from one construction company.

A DM12bn aid package to finance the withdrawal of Soviet troops is part of the price exacted by Moscow for the inclusion of a united Germany in Nato. The Soviet parliament on Monday ratified the "2 plus 4" treaty, setting the final legal seal on German unity.

The Soviet Union's desperate housing shortage makes the construction aid particularly important, even though the German money is expected to meet just half the needs for the returning troops. Poor housing and pay have become an important source of discontent in the armed forces, prompting some military to protest that Moscow should have insisted on a slower withdrawal of its troops from eastern Europe.

**The Soviet Union may be able to use some of the Ecu500m (£351.5m) worth of promised credit from the EC to buy food in east Europe as well as from the Community itself, as a result of European Parliament pressure yesterday on protectionist governments, writes David Buchan in Brussels.**

**The possibility of helping both the hungry Soviet Union and some east European countries with food surpluses is to be studied by the Commission, EC ministers and leading MEPs agreed yesterday.**

**This triangular form of food aid, proposed by Italy and backed by northern EC states and the Commission, had been blocked by France, Spain and others until the parliament intervened.**

# Berlin 'to have 20% jobless'

By Leslie Colitt in Berlin

BERLIN may soon face a doubling in the unemployment rate to 20 per cent, which would be the highest level of any leading German city, a Berlin economics official suggested yesterday.

Mr Lothar Stock, senior adviser to the Berlin economics department, said 370,000 people could be out of work by July if the Bonn government did not come up with additional aid. The psychological impact for the city, especially the eastern part where the unemployment rate is already 10.1 per cent, would be "extremely negative".

The newly-elected Berlin city government is negotiating with Bonn not only for more funds but also for a slowdown in the planned reduction in incentives and subsidies to west Berlin industry and employers. Some 30,000 jobs are threatened in west Berlin.

The city is still deeply divided economically. West Berlin is booming as the retail sector reaps the benefits of fresh purchasing power from surrounding east Berlin and east Germany. Much of the money ironically comes in the form of employment subsidies to the east from Bonn. Moreover, tens of thousands of easterners have found jobs in west Berlin.

In depressed east Berlin, 80,000 ostensibly employed people are not actually working but are being paid until the end of June. Another 130,000 are clinging on to administrative jobs. Mr Stock said that west German industry would not move management to Berlin unless the city became the seat of government as well as the capital.

■ West German industrial production rose 3.5 per cent in January, with the construction industry up 29.5 per cent, according to provisional seasonally-adjusted figures from the authorities, Katharine Campbell writes from Frankfurt. Economists said the numbers testified to the continuing strength of the German economy – the manufacturing sector registered 2.5 per cent growth. But they said the surge in construction activity had more to do with weak December numbers than with a sudden extra spurt in German growth.

# Dresdner economist to stay on

By David Marsh in Frankfurt

THE BONN government's efforts to inject more dynamism into its economic policy-making have suffered a setback following the refusal by Mr Ernst-Moritz Lipp, chief economist of Dresdner Bank, to take over as state secretary at the economics ministry.

Mr Lipp, 39, one of the brightest of Germany's economists, turned down the offer from Mr Jürgen Möllemann, the new economics minister, for a mixture of professional and family reasons.

Mr Lipp was proposed for the job in Bonn at the suggestion of Mr Otto Schlecht, the present incumbent, who is retiring shortly, after 18 years as the state secretary responsible for macroeconomics.

The transfer to Bonn by a respected member of the Frankfurt banking community would have been a highly unusual move in Germany, where such sideways shifts are less common than in the US, France or Britain.

Mr Lipp's decision to stay in Frankfurt will come as a blow to Mr Möllemann, who is battling to give the economics ministry more influence after a decline in its standing in recent years.

After agonising for several days, Mr Lipp decided that the move would impede his career prospects in private business. He is thought to have a good chance of advancement to the Dresdner Bank management board later in the 1990s.

Although the salary did not play a prime role in his decision, his present earnings, and particularly his future salary potential, are substantially more than the DM16,000 ($10,560) a month (DM12,000 after tax) he would have earned as the top civil servant in the economics ministry.

Pressure on his family life as well as the personal security precautions necessary for top officials in Bonn, are also understood to have played a role in his decision.

# Albanians seize more boats to escape

By Judy Dempsey


HUNDREDS of Albanians yesterday continued to seize boats and cross the Straits of Otranto to Italy in search of political asylum.

The Italian authorities at the port of Brindisi have already set up refugee camps and expect more Albanians despite attempts by port officials to prevent their boats from docking.

The latest mass exodus of Albanians, which started last weekend, is the second since last June, when more than 5,000 stormed western embassy compounds demanding the right to emigrate.

Thousands of people have arrived at Albania's southern port of Vlore over the last few days, following rumours that Italian ships were arriving to bring them to Italy.

But when they only saw Albanian boats, some owned by the naval and military authorities, they hijacked them. "The Albanian crew brought them to Otranto," said one Italian journalist.

"But then the crews turned back because they had left their families behind in Albania. The crews said they did not expect reprisals by the Albanian authorities."

In Brindisi, after the port authorities attempted to prevent the Albanian ships from docking, some young passengers dived into the sea. They were later picked up by Soviet and Greek ships which brought them to Italy.

"The young people just want to get out of the country. They see no hope.

"This latest episode will fizzle out. But another one will occur. The political and economic situation is really hopeless," said an Albanian journalist.

Despite promises by President Ramiz Alia, head of the ruling Albanian (communist) Party of Labour, to hold free elections on March 31, there is growing instability in the country.

Students and workers last month tore down statues of Enver Hoxha, the founder of the APL who ruled the country with an iron fist until his death in 1985.

Hardline factions in the APL and the senior ranks in the army, who owe their position to Hoxha, then quickly regained the political initiative by organising pro-Hoxha demonstrations and re-erecting the statues.

Unconfirmed reports from Tirana, the capital, say the authorities have put on trial the people who pulled down the statues.

"The situation is confused. For the moment, Mr Alia is in charge," commented an Albanian academic.

However, the pace of the collapse of central authority and the deterioration of the economy may force many more young Albanians to flee across the Straits of Otranto.

**Chancellor Helmut Kohl (left) welcoming the Polish prime minister, Mr Jan Krzysztof Bielecki, to Bonn yesterday for the revival of talks on a friendship treaty between the two countries. In two days of meetings with Chancellor Kohl and senior cabinet ministers, Mr Bielecki will also seek Bonn's support for an 80 per cent cut in Polish debt by the Paris Club, Reuter reports from Bonn. Polish-German treaty talks have been stalled since December, one month after Mr Kohl and the former Polish prime minister, Mr Tadeusz Mazowiecki, signed an agreement fixing the border on the Oder and Neisse rivers, formally ceding to Poland large tracts of German land given by the Allies as compensation for territory lost to Moscow.**

# Hungarians angered by Polish debt deal

THE WEST'S decision to reduce Poland's foreign debt is aggravating social tensions in Hungary and increasing domestic pressure for rescheduling, Mr Mihaly Kupa, the Hungarian finance minister, said yesterday, Nicholas Denton writes from Budapest.

The finance minister was speaking a week after the International Monetary Fund approved in principle a $2bn extended credit to Poland.

This cleared the way for a write-down of the country's $48bn foreign debt by a probable 50-60 per cent.

Hungarians had seen their government pay promptly while "the Polish government does whatever it wishes on repayment", Mr Kupa said. "Someone who behaves well is penalised and someone who behaves badly gets special rewards and benefits," he complained.

As politicians linked Hungary's debt burden and its inability to finance crucial exports to the Soviet Union, calls for rescheduling might get louder, he said.

"We might find it very difficult to defend ourselves."

Budapest remains adamant, however, that the country's $21bn foreign debt can be financed – without negotiation – by foreign investment, new borrowing, and growth in exports to the west.

As one measure to encourage foreign investment, Mr Kupa yesterday announced plans for legislation in the next few months to give foreigners the right to buy land.

Until now they have needed to form joint ventures to do so.

The proposal is part of a package of laws designed to promote investment by resolving the confusion over ownership.

Mr Kupa said this was the priority of his "stabilisation and convertibility" four-year economic programme, which the government should approve tomorrow.

This week Hungary also returned to the bond markets with a DM200m five-year issue despite a rise in funding costs to about 250 basis points over bond yields.

The margin reflects what the Organisation for Economic Co-operation and Development described as a sharp deterioration of market sentiment towards eastern Europe which was forcing the region to turn to official lenders.

# Portuguese privatisation marred by demands for compensation

By Patrick Blum in Lisbon

JUST as the Portuguese government resumes its ambitious privatisation programme – halted by the Gulf war – it is facing renewed demands for higher compensation to be given to former owners and shareholders of companies nationalised in the mid-1970s.

The issue, which has been a recurring irritant for the centre right Social Democratic government of prime minister Anibal Cavaco Silva, is coming to a head with a proposal to amend the compensation law to be presented shortly to parliament by the small right-wing CDS opposition party.

CDS officials say they will push for a vote on a bill which could cost the treasury up to Esc220bn ($1.65bn) unless an agreement can be reached with the government on improving compensation terms.

This puts the government in an awkward position with many members of the ruling Social Democrats likely to be sympathetic to the former shareholders' case.

Groups of shareholders have been lobbying for years for increases on what most describe as "miserable levels" of compensation. Their campaign has built up steam since the government began its sale of state assets in 1989, though they have failed so far in their legal efforts to stop the re-privatisation of their former companies.

A few figures give an indication of the scale of the problem: between March 1975 and November 1976 more than 240 large companies were nationalised. Their stakes in other companies brought nearly 900 companies under state control, according to a report in Publico, the respected daily newspaper.

They included all domestic banks, insurance firms and a wide range of manufacturing and service companies, including brewers and cement makers, paper, pulp, steel, tobacco, oil, petrochemicals, electricity, transport and fishing companies, as well as newspapers. The government wants to sell the bulk of these assets to the public.

It has already begun the process, but many more, including some of Portugal's largest companies, are earmarked for privatisation this year and next.

The privatisations have proved a welcome source of extra state revenues, and sales to date have raised Esc141bn ($1bn), of which Esc112.8bn was used to repay part of the public debt and Esc28.2bn to strengthen the capital base of other public sector companies. Privatisations planned for this year would easily more than double revenues so far.

The government's strategy has repeatedly come under fire from local business groups for focusing too much on maximising revenues instead of helping to consolidate private Portuguese groups, and for ignoring the rights of former shareholders.

Ministers have rejected the criticisms as unfounded, and until recently, the government argued that as it was not responsible for the nationalisations in the first place it is not bound to improve compensation payments.

Nevertheless, under growing pressure, ministers have started to suggest that something could be done to improve on the current levels of compensation.

Most former shareholders have been given bonds of 20 years or more maturity with interest as low as 2.5 per cent for holdings above Esc5m. Some shareholders have not received any compensation because the process of valuing assets has still not been completed, and because of bureaucratic delays which some critics say stem from lack of government political will.

Also in dispute is the value of expropriated assets and shares.

Groups representing former shareholders and the Confederation of Portuguese Industry say the government's figure of Esc150bn for the companies seized over a decade and a half ago, grossly underestimates their worth.

They say the amounts of compensation paid is but a fraction of the money reaped by the government from the privatisations.

With the privatisation of Tranquilidade, an insurance company, for example, the government raised Esc44.7bn, compared with about Esc1.5bn paid out in compensation to its former shareholders.

The Espirito Santo family, the company's owners until its nationalisation, regained control of Tranquilidade by paying what most analysts consider to have been an excessively high price for the privatised shares.

"It's daylight robbery. They [the government] are simply selling companies that were stolen from their owners in the first place," says an ex-shareholder in another company.



## EUROPE IN BRIEF

### Parliament debates law for KGB

**The Soviet parliament yesterday began debating the country's first ever law regulating the activities of the mighty KGB security agency.**

**The draft bill sets out the duties and rights of the Committee for State Security and says it should operate on the basis of the constitution and glasnost. Some deputies protested however that the legislation does not clarify how the agency would be made accountable for infringements of the new law. Others wanted the KGB to be split up into different services so that it does not cover areas as diverse as the protection of borders, all forms of intelligence, mass disorders and organised crime.**

**The legislation is likely to sail through a first reading today but some amendments may before it gets to a final reading.**

### Coca Cola goes to Poland

Coca-Cola Co of the United States will invest nearly $50m to build three soft drink factories in Poland, Reuter reports from Warsaw.

Mr Neville Isdell, Coca-Cola's representative for Northern and Eastern Europe and Africa, said the investment was the biggest announced by any US company in Poland since the collapse of communism in 1989.

"We will build two factories in Warsaw and one in (the Baltic port of) Gdynia," Mr Isdell said after a meeting with Polish President Lech Walesa.

### Greenpeace launch ship

**The international environment group Greenpeace launched a new ship yesterday and said its crew would monitor the transport of nuclear waste off the coast of Dunkirk, Reuter reports from Amsterdam.**

**The Solo, a 67-metre (220-feet) converted tug equipped with a helicopter deck, animal hospital and laboratory, is the eighth boat in the Greenpeace fleet and will operate in the North Sea, a spokesman said.**

**It will leave the Dutch port of Den Helder for the coast off Dunkirk on Friday to protest against the transport of nuclear waste in ships without special safeguards against fires or accidents.**

### Swiss press to join IMF

Switzerland said on yesterday it would go ahead with its application for International Monetary Fund membership even though it had been offered less voting power than it wanted, Reuter reports from Zurich.

The Finance Ministry said an IMF membership committee had recommended a Swiss membership quota of 1.7 billion special drawing rights ($2.4bn) rather than than the 2.1 billion SDRs ($3bn) Switzerland had sought.

"I am glad a decision has been reached. It represents a reasonable basis for continuing efforts to join the IMF," the Finance Minister Mr Otto Stich said in an interview.

### Hunger strike over language

**Some 100 Bulgarian nationalists opposed to the teaching of Turkish in the country's schools have begun their second week on hunger strike, nationalist leaders said, Reuter reports from Sofia.**

**Mr Evgeni Drumev, leader of the Committee for Protection of National Interests in the northeastern town of Razgrad, said schoolchildren, students and other teenagers were on strike in eight towns on Tuesday.**

**Tension between Bulgarian nationalists and the country's 1.5m ethnic Turks has mounted in the past five weeks after the government decided to allow Turkish to be taught as an optional subject on an experimental basis in some schools.**

### Italian prices rise by 6.7%

Italian consumer prices rose 6.7 per cent year-on-year in February, compared with 6.5 per cent in January and 6.2 in February 1990, the National Statistics Institute (ISTAT) said, Reuter reports from Rome.

The figure was slightly below ISTAT's earlier forecast that year-on-year inflation would be 6.8 per cent in February.

### Cuurency boost for Spain

**Spain's official currency reserves rose $756.7m in February to $55.269bn from $54.512bn in January, according to provisional data released yesterday by the Bank of Spain, AP-DJ reports from Madrid.**

**The official reserves stood at $53.104bn in December and at $53.2bn in November.**

**Economists suggest that reserves were boosted by surging capital inflows, particularly to the Spanish bond market.**

**According to the latest available data, net inflow of foreign capital jumped to Pesetas 196.3bn in January against Pesetas 11.6bn a year earlier.**

**"We're still seeing spectacular flows into government bonds," commented an economist at UBS Phillips & Drew Ltd in London.**

**They also noted several rounds of concerted dollar buying to curb the greenback's decline in February likely helped the increase in official reserves.**

### Moscow bans coal exports

The Soviet Union has banned exports of coking coal and scrap metal, and increased the price of scrap by 60 per cent, in an emergency plan to tackle the crisis in its huge steel industry, writes Quentin Peel in Moscow.

The moves were announced yesterday by the Cabinet of Ministers, along with a warning that the collapse of the industry would have disastrous effects on every other sector of the Soviet economy.

The announcement said steel production was 1.5m tonnes below target in January and February, while rolled metal was 1m tonnes down. Additional measures to mobilise collection of some 10m tonnes of scrap were ordered, enough "to ensure uninterrupted work of the metallurgical industry."

# Bonn, Paris rift over Emu pace continues

By Ian Davidson in Paris

FRANCE and Germany have failed to settle their disagreement over the timing of moves towards Economic and Monetary Union (Emu) in the European Community, the two Finance Ministers admitted here yesterday.

After a meeting of the Franco-German Economic and Financial Council, Mr Theo Waigel, German Finance Minister, maintained that the two governments continued to agree on the final objectives of Economic and Monetary Union.

Mr Pierre Bérégovoy, his French counterpart, stressed that the two governments were still both committed to the target of a single currency and a single European Central Bank.

But the Ministers made no secret of continuing differences over the phasing of the establishment of the new European System of Central Banks. The French government insists that it should be set up at the beginning of Phase Two of Economic and Monetary Union, which is due to start on January 1, 1994, as the precursor of a European Central Bank. The German government now argues that it should not be set up until after the beginning of the third and final phase of EMU, which could start in 1997 at the earliest.

According to Mr Bérégovoy, the French government is anxious to set a date in advance, whereas the German government is reluctant to set up a central bank system until the EMU process has passed the point of no return.

## INTERNATIONAL NEWS

# Japan warns car makers to limit exports to EC

By Robert Thomson in Tokyo

JAPAN'S Ministry of International Trade and Industry (Miti) has made clear to the country's car makers that it would disapprove of attempts to compensate for slower US sales with a surge in exports to the EC.

The ministry fears that a sudden increase in shipments to the Community could compromise the sensitive negotiations on access for Japanese cars to the single European market, and has noted that exports of passenger cars to the EC rose by 12.9 per cent in January against the same month last year.

At the same time, Japanese makers have announced cuts in production for the US market and have released modest targets for the domestic market, which has flattened after several years of growth.

The Japanese government has been waiting for the EC to agree on a *common policy for* car imports, and to settle issues such as the status of components and subsidies, which have divided EC partners. When the EC reaches agreement, it is expected that negotiations will be held with Japanese representatives to get approval for "voluntary" restraints.

A Miti official said that a monitoring system on exports to the EC had been in place since 1986, and makers had *been advised* to take care not to disrupt the market.

A spokesman for Nissan, the Japanese maker, said the company had been advised to be "prudent" and had abided by that guidance.

The ministry emphasised yesterday that no specific target had been set for Japanese exports. However, makers had been told to ensure export levels "will not create confusion in the European market".

Yesterday, Mr Lindsey Halstead, chairman of Ford of Europe, warned that the European Community should be cautious in removing restrictions on Japanese car *sales in Europe*. Japanese car imports and local Japanese car production in Europe remain the most sensitive outstanding problem to be resolved in the creation of the single European market from the end of 1992.

# N American clash over newsprint price rises

By Bernard Simon in Toronto

AN INTENSE tussle is taking place between North American newsprint producers and their customers over a price increase which was due to take effect at the beginning of the year.

Publishers' efforts to roll back the 5.5 per cent price risee have burst into the open with a decision by four US newspaper groups which control the Ponderay mill in Washington state to take legal action against their operating partner, Canadian Pacific Forest Products, which refuses to rescind the increase.

An official at Knight-Ridder, the Miami-based newspaper group which is one of the Ponderay shareholders, said yesterday that "our business is lousy. We think the price increase is the wrong thing at this time". CP Forest has a 40 per cent equity stake in the project.

The pricing battle is being nervously watched by banks which have provided sizeable project loans for several of the mills which have come on stream in the past few years and which are now contributing to a glut of newsprint. The Ponderay mill, for example, was financed with $242m of debt and $110m of equity.

Mr Amit Wadhwaney, analyst at MJ Whitman & Co in New York, predicts that the banks may become more actively involved, either to support higher prices or to recapitalise ailing mills.

So far, only three relatively small US producers, two of them owned by publishing companies, have publicly announced a rollback in prices. However, discounts are widespread, and in some cases are said to have widened since the official price increase took effect.

Hard-pressed Canadian producers, which need the price increase to offset the strong Canadian dollar and rising environmental and labour costs, are resisting pressure from their customers especially strongly. An official at Donohue, a Montreal-based producer which has a joint mill venture with the New York Times, said that "we're invoicing at the new prices".

The Canadian producers, which account for about 55 per cent of North American sales, are instead hoping to bring supply into line with demand by temporarily shutting down some machines.

Abitibi-Price, the biggest Canadian producer, announced in January that it would cut first-quarter output by 40,000 tonnes. Since then, it has decided to prolong a shutdown at its big Iroquois mill to be followed by a shortened work week.

Four other Canadian producers have announced shutdowns in the past week.

# Eximbank tests the Soviet market

THE US *Export-Import Bank* is making a cautious entry into the Soviet market for the first time since President Bush in December gave a six-month waiver to legislation blocking trade ties between the two superpowers, writes Nancy Dunne in Washington.

The US trade finance agency has quietly given initial approval to two requests for backing from US exporters. The details are being closely held, as is customary with preliminary commitments. Eximbank will say only that one project involves financing for a glass processing plant; the other, a short-term insurance policy for the sale of super phosphoric acid.

With preliminary commitments in hand, US exporters have an assurance of loans, guarantees or insurance, providing they can make the sales. Deals may then be concluded rapidly, or may still take months or even years.

Eximbank has been barred from providing financing to the Soviet Union by the Jackson-Vanik amendment, which links Soviet emigration policy and the granting of preferential treatment under Most Favoured Nation status.

Even now, under another provision, its financing is limited to $300m. Mrs Jenni Falkiewicz, Eximbank spokeswoman, said the agency has received financing requests totalling more than $900m.

"This is the beginning of a good faith effort to build a bridge of trade and economic transactions with the Soviets," she said. But the agency is following events in the republics closely and scrutinising every transaction on a case by case basis.

# Greece invites tenders for dam

THE GREEK government is inviting international bids for a Dr40bn ($250m) dam project in central Greece to boost water supplies for Athens, writes Kerin Hope.

The project calls for construction of an 90-metre high earth dam across the Evinos river and a 30-kilometre tunnel to feed the depleted Mornos reservoir serving the capital. Funding will come from the state investment budget, according to the public works ministry. Selected bidders will be asked to submit tenders this summer. Construction should start within 1991 and be completed in 1994.

The government is giving the project top priority since Athens faces an severe water shortage. For the second successive year the Mornos reservoir, 150 kilometres from the capital, contains barely enough water to last through the summer, despite efforts to reduce consumption, according to the city water authority.

# Ford signs engine deal with Yamaha

By Kevin Done, Motor Industry Correspondent, in Geneva

FORD has signed a contract with Yamaha of Japan for the design and development of a small engine to be used in its European car range from the mid-1990s.

*Yamaha had been commis*sioned earlier to carry out an advanced development study for a new small engine range for Ford of Europe, but it has now been awarded a full contract to develop the engine up to the prototype stage.

Ford said that Yamaha would be responsible for around one third of the total development work on the engine. This is the first time that Ford of Europe has contracted out such an important element of its mainstream engine development programme to an outside engineering company and the first time that it has turned to Japan.

**It is the first time Ford has contracted out such an important element of its mainstream engineering development programme, and the first time it has turned to Japan**

Separately it already employs Cosworth, a subsidiary of Vickers in the UK, to develop high performance engines, and it has also used Porsche for contract engineering work.

Once Yamaha has produced the first prototypes, Ford itself will take over the testing, evaluation and production engineering. The engine programme, code-named Sigma, is currently planned to be a family of 1.0, 1.25 and 1.4 litre engines and will replace the company's existing 1.1-1.3 litre small engines produced at its plant in Valencia, Spain.

Valencia is also the favoured location for the first production phase of the Sigma project with a planned capacity for 500,000 engines a year with output expected to begin in 1995.

A project on this scale could cost more than $1bn, although Ford is believed to be seeking to cut the costs through the use of simultaneous engineering methods. It is planning a second phase of investment for the Sigma engine range with an additional capacity for 300,000 engines a year. If this goes ahead Valencia or the South Wales engine plant are the most likely locations.

Ford's engine programme is being drastically updated in the next five years, however, and it is also working to develop the Orbital two-stroke engine as an alternative unit to power small cars, including a possible mini car smaller than its existing Fiesta supermini.

Introduction of the two-stroke engine could overtake the second phase of the Sigma project. Ford said yesterday that the scale of its existing commitments to develop new engines had made it impossible to develop the entire Sigma engine project with its own engineering resources in Europe.

Ford in the US has previously used Yamaha to develop and produce a high performance engine for its US Taurus saloon car range.

# GM predicts sharp decline in car sales to western Europe

By Kevin Done in Geneva

GENERAL MOTORS of the US, one of the big six volume car makers in Europe, has revised downwards its forecast for western European new car sales by around 350,000 units or nearly three per cent following the Gulf war.

Before the war started GM was expecting new car sales in western Europe (including eastern Germany) to total around 13.25m this year, a 1.3 per cent fall from the 13.42m achieved last year.

Mr Robert Eaton, president of GM Europe, said the company had recently cut its forecast to 12.9m, however, representing a decline of some 500,000 units or almost 4 per cent from 1990.

"Some markets such as Spain, Sweden or the UK are weak, with the UK and Sweden *clearly in recession," he said*. Only Germany would show any significant growth this year. Mr Eaton said that GM expected new car demand in western Europe during the 1990s to grow by an average of 1.5 *per cent a year, however*, reaching about 14.5m units by the end of the decade compared with 13.4m units last year.

He forecast an annual average growth rate for light commercial vehicles of 2 per cent a year with western European sales rising from about 1.9m units in 1990 to 2.1m in 1995 and 2.3m in the year 2000.

By the mid-1990s Europe would be the largest single total new vehicle market in the world at 17.7m units and by the end of the decade GM forecast that the combined east and west European vehicle market should reach 19.5m units.

*Unlike several of its rivals* GM is not currently planning any production cut-backs in Europe to cope with falling demand in the total market.

Mr Eaton said the company was confident its plants would "continue operating at high capacity levels throughout the year".

He said that GM was planning to press ahead with its plan to increase its capacity in Europe by 25 per cent in the medium term.

Mr Eaton forecast that Japanese car makers would increase their share of the western European market from 11.6 per cent last year to 15 per cent by the mid-1990s and 20 per cent or more by 2000.

Currently they already held a share of more than 30 per cent in the unrestricted markets in western Europe, while their share in the five restricted markets of France, Italy, Spain the UK and Portugal was 5.1 per cent.

# VW wins approval for BAZ venture

VOLKSWAGEN, Germany's car manufacturer, yesterday won approval by the regional Slovak government as partner for a Slovak car-parts manufacturing factory, the state *news agency CTK reported*.

A contract between Volkswagen and the Bratislava-based BAZ factory will be signed by the end of this month, CTK said.

The report did not say what Volkswagen's share in the anticipated joint-venture would be, nor did it specify how much the German partner would be ready to invest in the ailing Slovak enterprise.

"We agreed to sign an agreement with the German firm by the end of March," Slovak Premier, Mr Vladimir Meciar said, adding that production in the BAZ factory should start in December this year.

Volkswagen plans to manu*facture 350,000* transmissions per year in the initial stages at BAZ, expanding into the production of up to 200,000 Volkswagen passenger cars in the second phase and employing six thousand people, media reports said last month.

Last December, Volkswagen *defeated a joint bid by* France's Renault and Volvo of Sweden to buy into Czechoslovakia's Skoda automobile works, the largest car-maker in eastern Europe.

VW is expected to invest a total of DM9bn ($6bn) over the next four years to modernize Skoda. According to earlier reports, BAZ was preparing to sign an agreement with US General Motors to produce transmissions and assemble GM's Opel Vectra and Kadett models for sale in Czechoslovakia.

But Volkswagen and Renault joined the bidding for participation in the BAZ factory, with Volkswagen being favorite. Earlier reports also indicated VW would assume BAZ's debts of 1.5bn crowns ($55m).

# Power generators share offer sparks big private demand

**By Clare Pearson**

THE OFFER of shares in the two privatised electricity generators looks assured of success when it closes this morning after sparking powerful demand from private investors.

The public is almost certain to have asked for enough shares to trigger clawback arrangements, where stock is taken away from overseas and institutional buyers and reallocated to private investors.

By lunchtime yesterday, more than 600,000 applications for shares in National Power and PowerGen had been counted. A further flurry of forms was anticipated ahead of this morning's 10am deadline.

However, very heavy oversubscription would cause embarrassment to Mr John Wakeham, energy secretary. When pricing the shares at the end of last month, he was striving to avoid the accusations of underpricing that followed last November's sale of the regional electricity companies.

Initially, the government set aside for the public about £600m worth of the £2.16bn sale – which comprises 60 per cent of the shares in the two generators. But the public will buy slightly more than £1bn worth, or 49 per cent of the offer, assuming a clawback.

If that happens, institutions at home and overseas which have underwritten the offer will also be asked to take part in a tender. A portion of the shares set aside for them, amounting to 16 per cent of the total offer, will be resold to the highest bidders at levels above the fixed 175p offer price.

It looked as if the public was already 70 per cent of the way to triggering clawback, set to occur when the £600m offer is 2.5 times over-subscribed.

The stockmarket has risen susbstantially since the share price was announced. Dealings start on Tuesday. I G Index, financial bookmakers operating a form of advanced market, were quoting 126p for PowerGen shares and 120p for National Power.

# N Ireland jobless 'will increase by 3,000'

**By Our Belfast Correspondent**

UNEMPLOYMENT in Northern Ireland will rise by 3,000 by mid-June, though the province may be the UK's best performing region this year according to a economic forecast published yesterday.

The projections, by Dr Stephen Roper and Dr Graham Gudgin, of the Northern Ireland Economic Research Centre, suggest that the province will be cushioned from the worst of the national recession in 1991 because it has a large public sector and because mortgages are smaller than in the rest of the UK.

According to the centre, an independent research body whose forecasts are linked to the Cambridge Econometrics model of the UK economy, these factors will allow some new jobs to be created in the province's service sector this year, unlike the rest of the UK where such service sector employment is expected to fall.

Manufacturing employment in Northern Ireland is projected to contract by around 3,000 during 1991 as the effect of falling UK demand spreads in the province. The forecast suggests that unemployment in June will rise to 103,000 (14.7 per cent) and by another 4,000 by the middle of next year.

# Nissan UK associate may sell rival cars

**By John Griffiths**

AFG, the network of nearly 180 car dealers controlled by Nissan UK chairman Mr Octav Botnar, is expected to start taking on manufacturer franchises other than Nissan within the next few days.

A deal under which several of the AFG outlets will switch to selling French cars, is understood to be imminent.

Deals with Fiat of Italy and German and Scandinavian manufacturers are also understood to be under discussion.

The move by AFG Holdings, which is an associate company of Nissan UK, reflects a desire both to make better use of some of its under-utilised dealerships and to start spreading a "safety net" under AFG should its supplies of Nissan cars be cut off at the end of this year.

After a series of disputes – most recently, over the prices the Japanese car maker has been charging Mr Botnar's company for its new cars – Nissan has declared that it will sever all ties with Nissan UK on December 31 this year, and set up its own UK distribution and sales organisation. Nissan UK is fighting the termination in the courts, arguing that it is invalid.

Should the British company lose, however, AFG Holdings could be plunged into crisis by having nothing to sell.

Octav Botnar: sounding out other manufacturers

The allocation this year of possibly 20 or more of the AFG network to selling makes other than Nissan, is understood to be the real explanation behind motor trade rumours that Fiat, struggling to improve a market share of around 2 per cent in the UK, might be preparing to pass on to Mr Botnar the distribution of Fiat and Lancia cars.

AFG, of which Mr Botnar is chairman, is a highly profitable operation, reporting pretax profits of £74.51m in the financial year ending July 31 1990, up 17 per cent on the previous year's £65.89m.

# Recession squeezes liquidity

**By Rachel Johnson, Economics Staff**

THE liquidity of Britain's large industrial and commercial companies – particularly in manufacturing – is being squeezed down by the recession, figures showed yesterday.

The Central Statistical Office reported that the seasonally-adjusted liquidity ratio of large UK companies in the fourth quarter of last year fell to 60 per cent. This compared with 61 per cent in the previous quarter.

Based on a survey of about 300 businesses comprising just under half the total of large industrial and commercial companies in Britain, the figures give an indication of how the corporate sector is reacting to high interest rates.

The latest ratio, which measures total financial assets that are realisable in less than one year as a percentage of financial liabilities that may have to be repaid in one year, was well below the recent high of 116 per cent at the end of 1987.

In manufacturing, liquidity is dropping even faster under the pressure of high interest rates and the business downturn.

The liquidity ratio was 36 per cent, after 38 per cent a quarter earlier and 50 per cent at the end of 1989.

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# BRITAIN IN BRIEF

## British Gas signs three large orders

British Gas signed multi-million pound contracts to supply gas to three power station projects last week, shortly before it choked off demand from the electricity industry by sharply increasing prices.

The three deals were signed with National Power, Yorkshire Electricity and British Nuclear Fuels in a hectic scramble, after British Gas had contacted companies involved in several power station projects to tell them informally of its plans to raise prices.

British Gas increased prices for gas supplied to new power station projects by 35 per cent from last Saturday. The rise was prompted by the companys's fears that spiralling demand for gas from the electricity industry could threaten supplies to its traditional customers.

## House prices continue to fall

UK house prices in February fell for the fifth month running, according to Halifax, Britain's biggest building society.

The society, which publishes a monthly house price index, said further interest rate cuts were needed to restore buoyancy to the weak housing market.

"We may be at the end of the downturn but there is no sign of any recovery yet. We have no evidence of any pick up in the number of house sales across the country," Halifax said.

## Lamont urged on tax cuts

Conservative MPs are pressing Mr Norman Lamont, the chancellor of the exchequer, to concentrate tax concessions in his forthcoming budget on low earners and small businesses. They also want further measures to promote the government's "green image" and to encourage saving.

After a series of meetings

Norman Lamont: no spectacular tax cuts expected

MPs and Treasury ministers over the past few weeks, most of government supporters expect a relatively unexciting package on March 19.

Despite speculation about a June election, the message from ministers has been that the need to bring down inflation and interest rates must take priority over tax cuts. Tory MPs expect the budget to include net tax cuts of, at most, £1bn.

## Kia cars to be sold in the UK

Korean-built Kia cars are to be sold in the UK in June with hoped-for sales of 10,000 units by the end of 1992, according to MCL Group, the newly appointed importer.

The Kia "Pride" range of small hatchbacks – versions of which are sold under the Ford badge in North America – will compete with vehicles ranging from Fiat's Panda to Rover Group's Metro.

They will be sold initially though a network of 100 dealers, says MCL, which is also the importer and distributor of Mazda and Polish-built FSO vehicles in the UK. Eventually, around 150 dealers are expected to be appointed.

Kia will be the second Korean manufacturer to establish a presence in the UK, following Hyundai, which has been present for nearly a decade. Last year, Hyundai's UK sales reached just over 7,000.

## Strike threatens nuclear ships

Ships carrying nuclear waste between Japan, Italy and the UK could be prevented from sailing if strike action by merchant navy officers goes ahead, the officers' union Numast has warned.

Six ships owned by Pacific Nuclear Transport, in which British Nuclear Fuels has a majority shareholding, could be affected by possible action over a pay claim. About 100 Numast members on the ships are being balloted on the action.

## Labour pledge on TV licences

Hotels and other commercial ventures might have to pay more for their television licences under a future Labour

Roy Hattersley: wants cheaper TV for pensioners

government to help fund cheaper licence fees for pensioners.

Mr Roy Hattersley, deputy leader of the opposition Labour party, said Labour was determined to "assuage the effect (of the licence fee) on the most needy pensioners".

The aim would be to raise money from internal BBC savings and from commercial and industrial concerns such as hotels to avoid extra payments from the Treasury.

## Wescot aims for Europe

Wescot Decision System, one of the UK's main reference agencies and consumer information groups, has changed its name to Equifax Europe in a move aimed at expanding its European operations.

The company's three divisions, which provide direct marketing, credit reference information, and computerised credit scoring, are also being renamed with the Equifax Europe brand name.

## Business travel starts to pick up

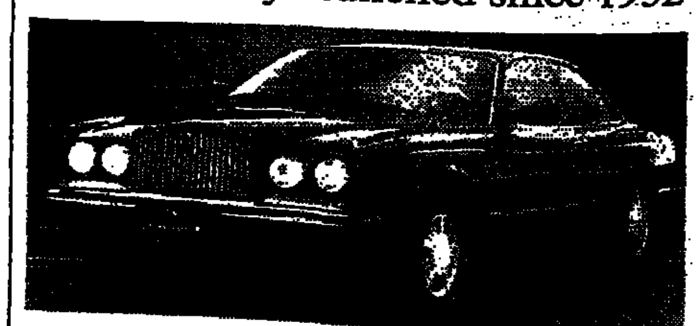
British Airways has resumed its twice-weekly Concorde flights to Washington, axed at the start of the Gulf war because of the steep fall in top executives flying on business.

The move reflects the gradual improvement in business confidence in recent weeks, which has accelerated following the end of hostilities.

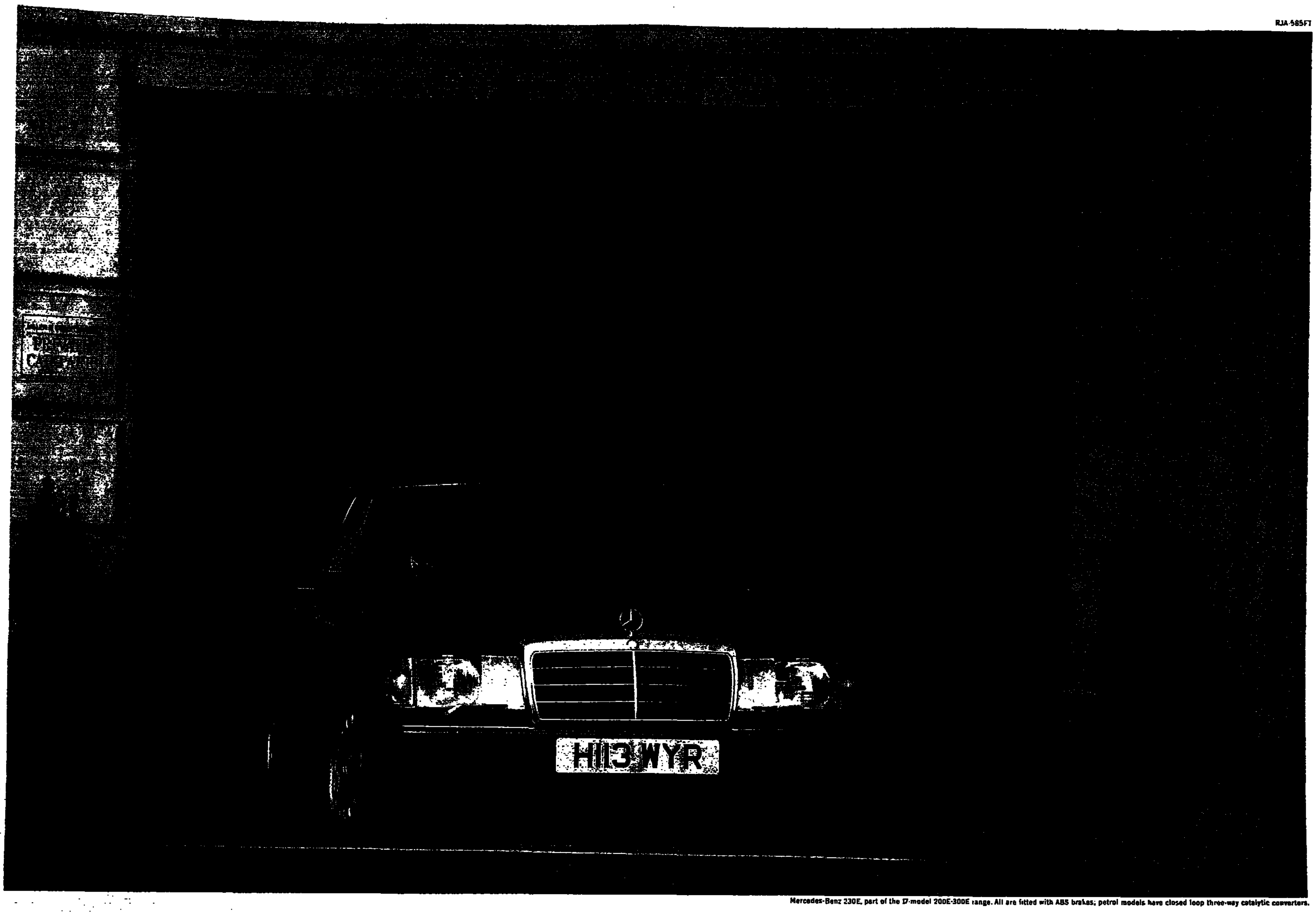
But business travel agents say the upturn in executive travel bookings is far less pronounced than the revival in demand for overseas package holidays experienced by holiday travel agents.

On Saturday, many travel agents reported their best day of the year so far for package holiday bookings.

## First Bentley launched since 1952



Rolls-Royce Motor Cars staged a surprise introduction in Geneva of its Bentley Continental R coupe (above), the first uniquely styled Bentley to be launched since 1952. The coupe will also be the most expensive Rolls-Royce production car, with an indicative UK price of £160,000 compared with the £144,595 Rolls-Royce Corniche convertible, and the £91,175 Rolls-Royce Silver Spirit. It was believed the car would not be ready for production until later in the 1990s, but Rolls-Royce completed the development programme much earlier than expected.




Mercedes-Benz 230E, part of the 17-model 200E-300E range. All are fitted with ABS brakes; petrol models have closed loop three-way catalytic converters.

# A hard day's work shouldn't have to include the drive home

With all the world demanding your attention for eight or 10 hours each business day, you deserve to drive home in a Mercedes-Benz such as a 230E – a consoling retreat from life's harsher realities.

As the office door closes and your 230E door opens, the cares of the day can be laid aside. Settle into that welcoming oasis of calm. Absorb the peace.

## The Science Of Distraction-Free Driving

You are now in the sure and understanding hands of the ergonomic engineers at Mercedes-Benz. Their work, guided by more than a century's experience, ensures that you'll always feel relaxed, yet in command.

Mercedes-Benz have solved the complicated problem of making car controls simple. This is no aircraft cockpit. There are no distractions.

As far as possible, you're left free to concentrate on external events. When your attention needs to be drawn back inside, it will be – automatically. The operating condition of the car is constantly monitored, so if action is needed, you will be informed in good time.

Meanwhile, let the stresses of the day look after themselves. Your 230E, or any of the other 16 models in the 200E-300E series of saloons, estates and coupes, offers you interior comfort, handling finesse and build integrity that have been distilled over many decades. They are powered by a range of engines that are as durable as they are advanced, topped by the multi-valve, 220bhp, six-cylinder of the 300E-24.

And each model, like all Mercedes cars, wraps its occupants in a unique safety cell that is also the achievement of many patient decades.

## Caring For The Car That Cares For You

When you choose a Mercedes 230E, you are also buying into the Mercedes-Benz dealer support system, a network you can depend on to provide a quality of back-up services that may surprise even a Mercedes driver. It includes UK and European-wide Touring Guarantee emergency assistance.

So, whether you're on holiday or just driving home, savour the Mercedes-Benz experience.

The 2.3-litre, 132bhp, 230E is an expression of enduring principles and state-of-the-art technology. That is why your Mercedes is the remarkable car it is. And why the hard graft has all been left at the office.

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# Exports insurance sell-off draws big foreign interest

By Peter Montagnon, World Trade Editor

STRONG FOREIGN interest has emerged in the government's proposed sale of the short term commercial risk insurance business of the Export Credits Guarantee Department.

The shortlist of six bidders who will be invited to tender includes Assicurazioni Generali of Italy and Cobac, the specialised Belgian credit insurance company, as well as NCM, the Dutch credit insurance business which has previously made its interest public.

The specialist credit insurance unit of Germany's Gerling also appears on the list as a minority partner in a consortium with Eagle Star.

The other two bidders – Trade Indemnity which dominates the domestic credit insurance market and Sun Alliance – have also previously announced their intention to enter the fray. The privatisation is intended to allow the short term insurance division to compete freely for business after the European insurance market is liberalised as part of the single market programme.

The inclusion of several foreign names prompted fresh expressions of concern from exporters. Mr John Hollows, Deputy Chairman of the British Exporters' Association, said: "The fear of our members is that a non-UK purchaser would not have the UK interest at heart as much as a UK corporate."

Other exporters said they would be seeking assurances from the foreign bidders that their interests would be respected by a foreign owner. They said they were heartened by the presence of Sun Alliance and Eagle Star on the list as UK bidders establishing a counterweight to Trade Indemnity, which already dominates the domestic credit insurance market.

Announcing the shortlist yesterday, Mr Peter Lilley, Trade and Industry Secretary, said the bidders had all stated their willingness to purchase 100 per cent of the short-term business. But two of the companies, Sun Alliance and Eagle Star, said they would wait until they had scrutinised financial information on ECGD before deciding whether to go ahead with a bid.

ECGD's short term insurance division covers exports worth some £13bn a year. It made a loss of £190m in the financial year to April 1990 on premium income of £74m, but the loss related to loss provisions against business with indebted countries such as Nigeria, which is excluded from the sale.

# Soviet cover under review

By Peter Montagnon

THE Export Credits Guarantee Department has placed the provision of medium-term credit cover for the Soviet Union under review following the deterioration in the economic outlook there.

The development has caused further anxieties among exporters who are concerned about the Treasury's growing imposition of restrictions on ECGD's activity, particularly in markets where it is already heavily exposed. These include China, Hong Kong, South Africa, Indonesia and India, as well as the Soviet Union.

Exporters to Indonesia have complained to the Department of Trade and Industry that orders are being delayed by lack of ECGD cover, even though they are due to be financed by existing UK soft credit lines. Bankers say the General Electric Company has recently had to extend the validity of a £30m Indonesian tender for two months.

ECGD said yesterday it was too early to prejudge the outcome of its review of the Soviet Union. Payment arrears last year led it to insist on a counter-guarantee from the Soviet Bank for Foreign Economic Affairs, which has itself become very cautious about taking on new exposure.

# Businesses to face pollution levies

By David Thomas, Resources Editor

BUSINESS premises which pollute Britain's waterways are to be charged up to £85,000 a year to pay for the cost of policing their activities, under proposals announced yesterday by the National Rivers Authority.

The charges are an unprecedented attempt in Britain to make industry pay for the costs of anti-pollution activities. In the past, such activities have had to be met out of general taxation.

"Our costs should be met not by the general taxpayer, but by the people doing the polluting," said Mr Chris Savory, finance director of the authority, which monitors water quality.

The charges will raise £41m a year from businesses holding 80,000 official consents to pollute the waterways of England and Wales.

Similar proposals are being prepared for Scotland.

Mr Savory estimated that 60 per cent of the projected cost will fall on the privatised water companies with 30 per cent being borne by other industrial and commercial companies. Agriculture is expected to pay the remaining 10 per cent.

A formula will be used to calculate the annual charge to businesses depending on the volume of material discharged, its nature and location.

For example, pesticide discharges will be given three times the weighting of metals, while discharges into river estuaries will be weighted 50 per cent more than those into rivers.

The NRA says the charges are intended solely to meet its pollution monitoring costs. The system of consents, not the charges, are intended to minimise pollution.

That is why the authority does not view the proposed new charges as a full-scale pollution tax.

However, the authority's officials acknowledge that the new charges could prompt some businesses to take a fresh look at their polluting activities.

The NRA has calculated that the biggest annual charge is likely to be about £85,000 for a large discharge of pesticide into a river estuary.

The lowest charge is expected to be about £16 for small discharges of non-toxic liquids.

Comments on the proposals have to be sent to the Department of the Environment by April 30.

The scheme is due to start operating on July 1.

*Charges in Respect of Discharges to Controlled Waters. NRA, PO Box 1461, Sapphire East, Streetsbrook Road, Solihull, West Midlands B91 1QT.*

# IT companies show trend towards rationalisation

By Alan Cane

ACQUISITIONS of information technology businesses increased by 16 per cent to 283 in 1990, according to Regent Associates, which collates data on IT mergers and acquisitions.

The data show an increasing rationalisation in the UK information technology business as large organisations seek to divest themselves of subsidiaries that are underperforming or outside their parent's core activities.

Regent predicts that the trend will continue this year.

Mr Peter Rowell, the managing director of Regent, said: "There will be many bargains available for companies with strong cash resources and for foreign organisations that are wishing to acquire a base in the UK."

Acquisitions by foreign companies in the UK market also showed an increase in 1990.

Some of these were strategic but in others, the lower valuations in the UK presented foreign buyers – the French in particular – with an ideal opportunity to move into the market.

The value of UK hardware companies fell by an average of 38 per cent in 1990 and 33 per cent for computing services companies.

# Power struggle behind the UK telecoms duopoly

**Charles Leadbeater** on government efforts to encourage more competition in the communications industry

The policy document on telecommunications policy published yesterday is the product of a power struggle over the future of the industry which has been going on for the past five months.

The main contestants in that struggle were Mr Peter Lilley, the trade and industry secretary, Sir Bryan Carsberg, the director general of Oftel, the industry regulator, and Mr Iain Vallance, chairman of British Telecom.

At stake was the shape of the telecommunications market, which last year was worth more than £13bn and, in particular, the position of BT, which dominates that market with a share of about 95 per cent.

The struggle for power and profits in the industry was set off in November, when the government published a far-reaching review of the market. It set out options for encouraging more competition to break up the duopoly of MT and Mercury Communications, its much smaller competitor, which controls the provision of fixed link telecommunications services to the public.

The review clearly identified BT's overhwhelming dominance of the market as the main distortion which needed to be corrected to allow more competition. The proposals alarmed BT which foresaw the government and Oftel giving new competitors a large helping hand to eat into the company's market share.

Since November Mr Vallance has been leading a spirited rearguard action which culminated in a threat that the company would force the proposals to be referred to the Monopolies and Mergers Commission if it judged they were unfair.

That threat played upon two dilemmas facing the government. First, for all its enthusiasm in promoting competition, the government remains BT's largest shareholder with a 49 per cent stake. An MMC inquiry would have forced plans to sell the stake to be delayed.

Second, BT is so dominant that plans to reform the industry would be much harder to implement if it refused to co-operate. The threat of an MMC reference seems to have done the trick. It led to negotiations between BT, the DTI and Oftel, which produced a deal. Put simply, BT has been able to exact a price for co-operating with plans to introduce competition.

The terms of that deal are buried in the document's fine print. But its outline is suggested by comments made by Sir Bryan in an appendix.

He says the White Paper marks a shift in government policy, away from the "managed competition" of the past seven years in which Oftel gave new entrants a hefty helping hand, towards a more open form of competition. Sir Bryan says: "There is a danger that the assistance of new entrants can be carried too far."

Ashley Ashwood

**Peter Lilley (right) and Bryan Carsberg: main contestantsin the power struggle over future of telecommunications**

He continues: "I want to see competition pressed to the limit of its ability to improve value for money to the customer – but no further. The way to achieve that is for the regulations to encourage more competition, to offer firm assurance that fair competition will be protected, but to insist that additional competitors must make their way without having the playing field tilted in their direction."

The White Paper's starting point is that the duopoly should be ended by allowing new entrants to apply for licences.

However, this general prescription in favour of competition has qualifications. It is unlikely new licences will be granted for international operators. This is mainly because the slower pace of liberalisation in foreign markets would make it difficult for new UK operators to find partners abroad. The document also notes the arguments of BT and Mercury that in the long term they depend on profits from international calls to finance investment in the UK. The limit on international competition is a success for BT.

In the domestic market competition will be enhanced on several fronts.

Large international companies will be the main beneficiaries of a complete liberalisation on the self provision of private internal networks. This means BT and Mercury will have to compete more fiercely with their own customers in providing private circuits.

Competition in the local network will be encouraged by moves to allow cable television companies, many of which are owned by US telecommunications groups, to carry telephone services as well as television. Adjacent cable franchises will be able to link their networks together.

The cable television operators will be protected from competition from BT and Mercury for 10 years, although this restriction on the duopolists' entering the market for conveying television services might be reviewed after seven years. The cable television industry has argued that this protection is essential to attract investment.

Another source of local competition should come from mobile telecommunications networks, such as cellular, telepoint and personal communications networks.

The cable television operators fear that consumers will get the fruits of competition by equal access to competing long distance carriers. As a result, they may be happy to rely upon BT's local network, as long as it gives them access to a choice of long distance providers. They argue this could entrench BT at a local level. The government says this fear is overstated.

Yet for two reasons the threat is neither as immediate nor as great as it might seem.

First, equal access will take time to introduce. Less than half BT's customers are serviced by switches which could readily provide equal access. The investment to provide equal access will take time. Full-blown equal access will only be introduced after a lengthy cost benefit analysis by Oftel.

Second, the main part of the price which BT has extracted for its co-operation has been an agreement to review its tariffs. This marks its most significant victory yet over Oftel.

At the end of the day none of the contestants will be unhappy. Oftel's role will expand. The government will get more competition without devaluing its shareholding in BT. The company recognised that competition was coming, will be nowhere near as handicapped as it once feared to meet it.



هكذا من الأصل

Employers are introducing special measures to contain the problem. **Angus Foster** reports

# Hong Kong tries to plug its brain drain

What price freedom? That may be the question some Hong Kong companies are asking as they offer their managers "longevity bonuses".

In return for staying in Hong Kong rather than emigrating, key executives are being tempted by bonus schemes which mature after Hong Kong returns to China in 1997. The bonus usually consists of two to four months' salary for each year remaining. For some, the pay-out could top HK$1m.

These schemes are now common in Hong Kong. The bonuses are the latest weapon in the fight against Hong Kong's "brain drain", a continuing flow of well educated professional Hong Kong ethnic Chinese leaving in search of a foreign passport. With Hong Kong's future uncertain, human resource management is, if not the most, one of the most pressing challenges for Hong Kong companies.

But it is not a crisis. Since the late 1980s when companies first realised the brain drain was worsening, they have learned to introduce new recruitment, training and promotion policies.

Assessing the brain drain is not an exact science. According to the Hong Kong government, which can only rely on indirect indicators, 62,000 people left the colony last year and a similar number are expected to leave this year.

That figure seems small compared with Hong Kong's population of over 5.5 million. The problem is that most of the emigrants are well educated, in their mid-30s and come from the professional and managerial class.

According to a study by the Chinese University of Hong Kong, based on data for 1987 and 1988, perhaps 60 per cent of departing families fitted this description. The same study suggests that by 1989 3.6 per cent of Hong Kong's total pool of professionals, administrators and managers had been lost to emigration.

Companies' experience of emigration depends on their type of business, how they are fighting emigration and, sometimes, a "sheep" mentality among employees.

Hong Kong Bank has over 1,000 managers among its 13,000 staff. Last year 94 managers emigrated, sharply up from 1988 and 1989 when the total was in the mid-60s. Jardine Matheson, Hong Kong's largest employer after the government, is losing a steady 5 per cent of its 1,000 managers to emigration each year, according to Martin Barrow, a director.

Emigration is seriously depleting Hong Kong's pool of experience. And there is a wider perspective to the problem. If a husband leaves with his working wife, two vacancies are likely to arise. Or, if he moves job for a large sign-on bonus and two years' higher salary to build up a nest-egg before emigrating, he is likely to be replaced by someone else doing the same thing.

**EMIGRANTS FROM HONG KONG**

| Year | Number |
|---|---|
| 1980 | 22,400 |
| 1981 | 18,300 |
| 1982 | 20,300 |
| 1983 | 19,800 |
| 1984 | 22,400 |
| 1985 | 22,300 |
| 1986 | 19,000 |
| 1987 | 30,000 |
| 1988 | 45,800 |
| 1989 | 42,000 |
| 1990 | 62,000* |
| 1991 | 58,000† |

*Provisional estimate. †Forecast Source: Hong Kong government

At Citibank, the largest US company in the colony, emigration is about 5-8 per cent, according to Steven Baker, division head for North Asia. But the total attrition rate among its 1,000 executives is 21 per cent, down from a peak of 29 per cent in 1987.

Fred Lam, general manager for corporate relations at Hongkong Telephone, says the loss of experienced managers is worrying.

In order to attract experienced staff, employers have increased sign-on bonuses and annual salary packages. Nicholas Chiu, employee relations manager at Esso (HK), says the company recently recruited two middle managers who earned HK$14,000 a month at their previous job. To persuade them to move, they were given a 40 per cent pay rise.

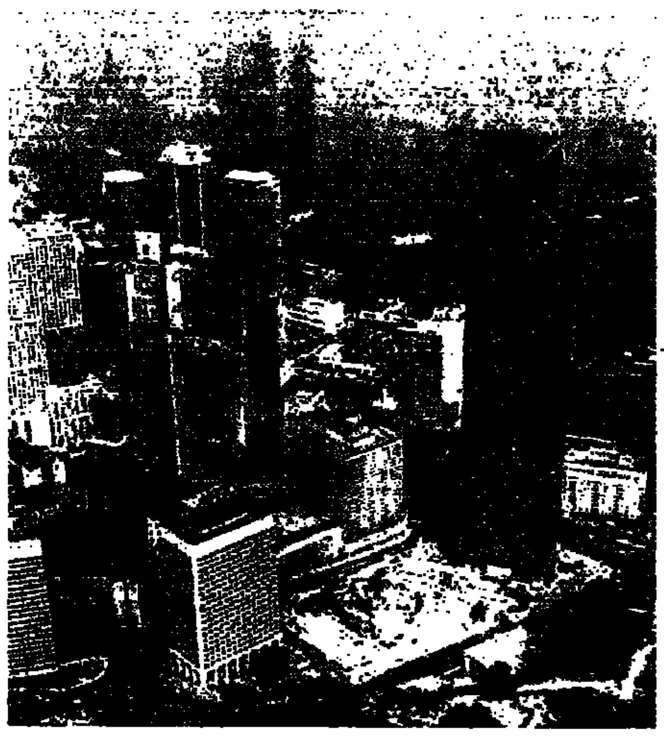
Emigration has forced companies to rethink their attitudes to training, often for the better. Brian Renwick, senior manager for personnel, Hong Kong Bank, says training programmes have been shortened and opportunities for promotion improved. "There are opportunities to do things better. Our training is now faster, which it should have been, and it would have taken longer to speed it up without the brain drain," he says.

To cope with emigration, companies have a choice between fighting to retain their staff or adopting new strategies. Simply offering more money may not work. Among accountants, salaries rose by more than 25 per cent each year in 1988 and 1989. But accountancy firms continue to be among the hardest hit.

Some personnel managers believe that no amount of money, training or promotion can buy staff loyalty. According to Lam: "There is nothing you can do to stop people leaving. There is nothing you can offer in return for a passport except for a passport itself."

Small and even medium-sized companies rarely have overseas offices where they can send staff to acquire foreign passports. For these companies, the brain drain can be devastating. A small Hong Kong software company closed down last month after its two senior programmers decided to emigrate at the same time, according to KS Liu, its former managing director. "I could have started again, but the same thing would have happened," he says.

Companies which do have overseas offices are using them to help staff secure passports but the numbers are small. Despite its large North American network, Hong Kong Bank can only send four or five high flyers overseas each year.



Glyn Genin

Hong Kong's key executives are being tempted with bonuses which mature after the colony returns to China in 1997

Citibank has been actively using its overseas network, according to Baker. "Virtually all our top performers who wanted to leave have been placed (overseas)," he says. A separate scheme for the bank's top 40 Hong Kong officers gives them emigration assistance if they stay in Hong Kong longer than planned. "This also allows us to have our senior local role models stay in place," Baker says.

Schemes now being put in place by the UK, US and other European countries offer passports or entry visas which need not be taken up immediately, even until after 1997. Employees of British companies are being targeted under the British Nationality Package, which gives passports to 50,000 heads of households. The US changed its immigration rules last year to grant entry visas to 10,000 employees of US companies in Hong Kong; 5,000 have already applied.

But the schemes are not perfect, either offering too few passports or too little security. As a result, companies still need to find new sources of talent to cope with departures.

Companies like Hongkong Telephone and Hong Kong Bank, which prefer to recruit from within, have increased their graduate intakes. Hong Kong Bank has doubled the number of graduates it recruits each year into its banking streams.

The strategy ties in with the government's policy to double the annual number of graduates to 15,000 by 1994/1995. Although this will keep graduate salaries stable, there are concerns that the government is sacrificing quality for quantity.

Among the emigrants who have "sung the song", the Cantonese phrase for gaining a foreign passport, few seem to be coming back to Hong Kong. The government puts the figure at 10 per cent, although private studies suggest that is too high.

Nevertheless, companies like Citibank and Jardine Matheson have increased their overseas recruitment campaigns, despite the costs. Citibank has lifted the percentage of its overseas hirings to 75 per cent from 25 per cent a few years ago by mainly targeting Asian graduates wanting to come back. As a result, about 20 per cent of the bank's executives now hold foreign passports, possibly the highest figure for a major company in Hong Kong.

But for some, especially smaller, companies these strategies are too costly. As a result, they have stopped training altogether and are now relying on an ever increasing number of headhunters in Hong Kong to find people to fill positions.

**James Watson** tells **David Owen** what course he will chart for the employee-controlled NFC

# A feeling of ownership

The flagship of employee control in the UK has a new captain.

On January 1, James Watson replaced Sir Peter Thompson as chairman of NFC, the transportation, travel and property group privatised through a novel employee buy-out in 1982. With economic conditions deteriorating and 45-50 per cent of the Bedford-based company's shares now in institutional hands, is a major overhaul of the singular NFC management culture in prospect?

No, is the too short answer – as anyone who has charted Watson's progress might have expected. The black-browed accountant has been with NFC throughout its private sector existence, serving in turn as finance director and deputy chairman before assuming his current duties. "I have lived with the privatised NFC for eight years," he says. "Obviously one of my core values is employee share ownership."

But if continuity is the hallmark of the change-over, the new man will not be slavishly enacting the Thompson doctrine in every detail. In his unhurried way, he is perhaps more insistent than his predecessor that premium performance is another indispensable goal of the group.

And those aware of Sir Peter's conviction that "almost the only way you can get out of a business is for the people to say: 'We want to go'," will detect a pronounced difference in Watson's more pro-active attitude towards atrophying divisions.

"I think there is nothing worse than retaining a business that the board and management do not think fits strategically and do not want to put money into or develop," he says. "And I don't think that is a decision that employees can really make. If you cannot support a situation and give opportunity to people in the business, then you have got to be absolutely frank and say 'This is how we feel strategically; we hope we will find someone who does have the strategic ability to provide that opportunity'."

There is more common ground in the two men's thinking on acquisitions. Watson concurs with Sir Peter that a company with NFC's share ownership structure "cannot be making mega takeovers and splashing equity all over the place".

Such is the strength of NFC's cashflow, however, that Watson says he is "not actually finding that a limiting factor. We are talking about spending up to £150m-£160m a year," he adds. The group ended its last financial year – described by chief executive Jack Mather as "our busiest year for acquisitions" – comfortably geared at 24 per cent with debt of £78.1m.

Watson also supports the group's attachment of double voting rights to employee-owned shares on certain topics, such that a prospective buyer of NFC would effectively have to convince employees of the soundness of its aims.

## Bigger say than other investors

"The double vote is there because we believe that employees in a business should have a bigger say than other investors in the ultimate decision of who should own the business," he says. "You do get takeovers that are not always in the best interests of the company.. and employees will be just as discerning as anybody else if a company is performing badly or is badly led."

Watson denies that NFC's commitment to maintaining its employee-oriented culture might be wavering under pressure from the deteriorating economy or institutional shareholders. "I am not conscious that we have made any decision purely for institutional purposes," he says. "Whatever action we need to take in the business to make sure we achieve our longer term objectives we will take. I don't see that as any different from any other company – except that we might take slightly longer to make decisions about dealing with difficult problems."

There is no doubt that NFC adopts a kindlier, gentler approach to employee relations than many of its peers. One example of this is the internal relocation agency that it runs to ensure that surplus staff are aware of vacancies throughout the organisation. But Watson argues that this works to the company's benefit as much as the employees'. "We don't like spending money on redundancy payments," he says.

Similarly, Watson feels strongly that the inculcation of a feeling of ownership at every level of the group (90-95 per cent of employees are shareholders) pays very tangible dividends in terms of commitment and customer service.

"If you go back ten years, the driver had a pork-pie hat and a cigarette hanging out of his mouth and wore greasy overalls," he recalls. "Now, they are all liveried and it is difficult to tell them apart from a manager.

"The transport business today is all about quality; it is about having a relationship with your customer right down the pitch. Employee share ownership is an absolute ace card in that situation."

As the group becomes more international in line with its aim of generating 40 per cent of profits outside the UK by 1995, it is encountering the problem of how to give its overseas employees access to the same share ownership opportunities as their domestic counterparts.

It began to address this last year with the launch of an American Depositary Receipt programme in the US. A US Employee Share Ownership Plan that Watson says will "pass on as much tax benefit as we can to the US employees" is to be introduced in a couple of months' time.

These efforts are now likely to switch to Europe. "Whether we have 500 or 5,000 employees in, say, Spain, we have to give them the benefits of an NFC shareholding in their own legislative and financial environment."

In terms of adapting the group's existing share-saving and profit-sharing packages, Watson's principal thrust will be to ensure that there is as direct a link as possible between benefits and measurable performance. "I think we need to make sure that what we have absolutely punches its weight right down on the shop-floor," he says.

## BUSINESS AND THE ENVIRONMENT

# Nerc's budget shrinks

The Natural Environment Research Council (Nerc), which published its 1991 corporate plan this week*, expects its research budget to shrink in real terms by 10 per cent over the next five years, in spite of the importance the government claims to accord its research.

It can manage without big economies this year but must find extra cash if it is to sustain some of the medium-term objectives of its corporate plan, says John Knill, chairman.

Knill sees the 1990s as "a decade of challenge for the environmental sciences" and his research council as the "lead UK agency for research, survey and training in the natural environmental sciences". Its budget from government for 1991-92 is £123m.

Internationally, Nerc-supported scientists have played a leading role in the assessment of climate change sponsored by the World Meteorological Organisation and the UN Environment Programme, he says.

One new programme to which Nerc gives high priority is the EC's terrestrial initiative in global environmental research, which aims to shed more light on possible man-made changes to the world's climate. Nerc will carry out studies of ocean circulation and computer modelling of the global atmosphere.

It is also planning research of more local or regional interest, such as studies of pollution pathways from land to water and their implications for ground water purity. It has failed to win more funds for its Autosub scheme of developing autonomous submersibles for ocean surveillance. But it intends to continue its present level of development for these unmanned, pre-programmed ocean sensor systems.

In space research, Nerc plans to make speedy use of data from the new European earth satellite ERS-1.

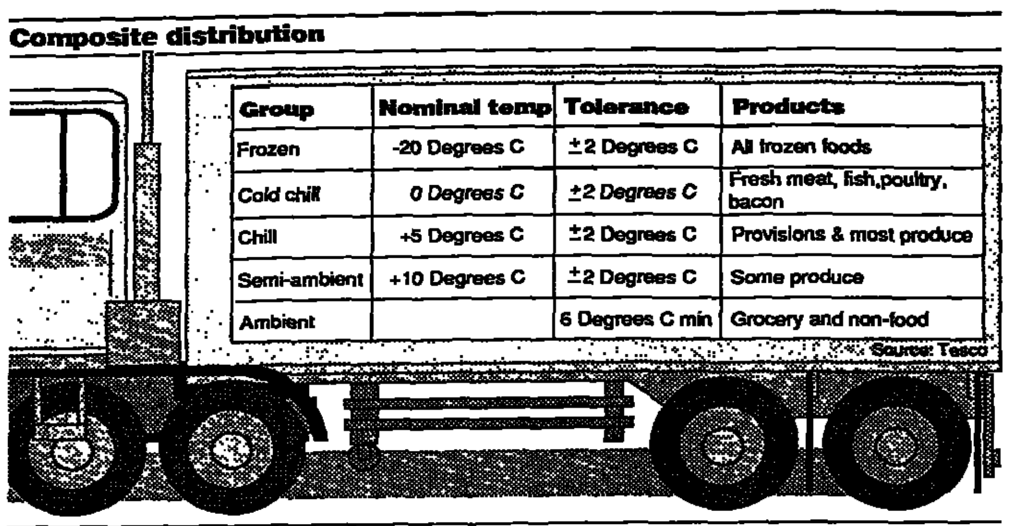
**David Fishlock**

*Corporate Plan of the Natural Environment Research Council. Available from Nerc, Polaris House, North Star Avenue, Swindon SN2 1EU.*

**Peter Knight** explains how an efficient distribution system saves energy and reduces product wastage

# A green machine delivers the goods

**Composite distribution**



| Group | Nominal temp | Tolerance | Products |
|---|---|---|---|
| Frozen | -20 Degrees C | ±2 Degrees C | All frozen foods |
| Cold chill | 0 Degrees C | ±2 Degrees C | Fresh meat, fish,poultry, bacon |
| Chill | +5 Degrees C | ±2 Degrees C | Provisions & most produce |
| Semi-ambient | +10 Degrees C | ±2 Degrees C | Some produce |
| Ambient | | 6 Degrees C min | Grocery and non-food |

Source: Tesco

The logistics of distributing goods always has been an important cost centre for businesses. But companies now find that efficient distribution systems deliver an added benefit by reducing their impact on the environment.

"In the past companies which have boasted about environmental benefits from improved distribution systems have made the changes for cost reasons. But now the environment is increasingly being included as a criterion when improvements are made to transport systems," says David Smith, head of environment services at PA Consulting Group.

This change is reflected by a new environmental research project initiated by the Institute of Logistics and Distribution Management in Corby, Northamptonshire. A team of experts will examine the impact of logistics practice on the environment. A handbook, to be produced by the institute, will give advice on how operators can green their operations.

The institute's researchers could learn from the experience of Tesco, the 380-store UK supermarket chain. It has reaped both cost and environmental benefits from its decision to develop what it calls a composite distribution system.

While the company has been criticised for developing new stores on greenfield sites outside towns – which encourages customers to drive longer distances – it is generally applauded for taking environmental issues seriously.

It has a team of 300 people working on the greening of its organisation. This affects nearly every aspect of the business, from providing "stress-free" steak to using recycled paper in the till roll.

Tesco's composite distribution system has reduced the number of vehicles needed to re-supply a store from a minimum of five a day to one. The new system has also cut the number of distribution centres from 41 to 18.

This has been achieved by being able to store different types of products – fresh, frozen, tinned, for example – on one site. Then, by dividing the delivery lorries into three temperature-controlled compartments, many of the goods needed by a store are delivered on a single load.

Stores are re-supplied in "waves" and have many deliveries a day, but the overall number has been reduced by 80 per cent.

Sainsbury's, one of Tesco's competitors, pioneered the composite distribution centre in the UK. But the ability to use a single lorry, rather than a succession with trailers at different temperatures, was delayed until the necessary technology was developed.

"The trailer-makers said it could not be done," says Paul Bateman, Tesco's distribution director. "But we and the National Freight Corporation put up some development money and worked closely with two trailer manufacturers to develop the right product."

A trailer with three movable bulkheads and separate cooling systems was perfected in the late 1980s. The temperature in each compartment can be controlled to within 1 deg C, within the necessary range of minus 20 deg C to 15 deg C.

Integral to the success of any distribution network is its information system. "The logistics of distribution is composed of the physical flow and the information flow. The two are interdependent," says Ray Jewitt, partner in charge of logistics at Andersen Consulting.

Bateman says Tesco's stock management system is "absolutely critical" to the efficiency of their system. Over the past five years better computer systems have helped halve the amount of stock Tesco carries.

Bateman says the composite distribution provides the following benefits:

- Daily deliveries, which help to reduce the levels of stock held at distribution centres and the stores.
- Fresher food, which is therefore more attractive to the customer.
- Computerised forecasting – based on past records – which helps to reduce the amount of times a store is left without stock.
- Economies of scale and better use of equipment. This reduces wastage, especially of highly perishable goods.

These benefits were sufficient for Tesco's board to justify the £170m investment it needed to develop composite distribution.

Bateman believes that most cost efficiencies also benefit the environment: "For example, we are always keen to use less fuel. This saves us money and it also reduces emissions."

Tesco also insists that its truck suppliers reduce noise levels. Besides dampening engine noise, Tesco fits brake silencers which prevent the heart-thumping woosh from air-brakes on large trucks. The trucks are fitted with foils to improve their aerodynamics, which cuts fuel consumption.

The trailers are insulated so that the noisy refrigeration units can be switched off when trucks unload in residential areas, often at night.

The composite distribution system reduces the number of refrigeration units needed, and therefore the amount of CFCs used. Tesco's latest freezer centre uses an ammonia-based system rather than CFCs.

The company has also introduced standardised plastic trays to hold most of the loose goods. It sells these to its suppliers and insists that all goods be packed and delivered in the trays, which last for about three years.

But Bateman is especially happy with the efficiency of a standard packing pallet in Britain which makes unloading quick and easy. "There is no standard pallet board in the US. What takes us around 40 minutes to unload takes them up to eight hours," he says.

Tesco's distribution centres are designed to use energy as efficiently as possible. The company also practises what Bateman calls "strict control over temperature regimes" and a "low-heat policy".

This means that temperatures are kept at the optimum level to suit the products that pass through the building, rather than the people who work there. This makes working conditions in some parts of the warehouses similar to toiling on the north face of the Eiger. Staff are issued with thermal underwear and woolly hats. Deep green environmentalists, who have long argued for the benefits of woolly jumpers, would be impressed.

Tesco is, quite legitimately, using the efficiencies of its distribution system to bolster its green image. But Jewitt does not see companies making logistical changes purely for environmental gains. "I don't think people are going out of their way to make environmental improvements," he says.

But he does see environmental factors playing an important role in shaping logistics practices in the future. The first impact is already being felt in political pressure to improve Europe's congested transport network.

As the European trade barriers fall, the amount of cross-border traffic is expected to rise. This will increase the impact that transport has on the environment, by producing more pollution from vehicles and greater congestion on the roads.

Jewitt says companies are looking at the benefits of moving goods long distances by a combination of transport systems, say road and rail – known as "intermodal transport".

The efficiency of some continental rail systems combined with the flexibility of road transport will produce attractive cost benefits. And with the resurgence of rail transport there will be inevitable benefits for the environment – from reduced exhaust emissions and less road traffic.

Work is also under way to apply rigorous logistical thinking to packing. The efficiency of fitting as much as possible into a box, for example, saves space and packing materials. Computer software, such as a program called Pallet Manager made by Goal of Swansea, helps in this exercise.

But if European business is going to achieve greater efficiencies in its distribution systems it will have to agree on something that will make Jewitt and his colleagues in the logistics business truly happy – a standard Euro-pallet.

# Alternative fuel in the slow lane

**By Barbara Durr**

For the millions of car owners who simply turn on their vehicles' engine and drive away,it may be surprising how little is known about internal combustion.

Exactly what happens under the hood is the subject of a multimillion-dollar investigation by the US auto and oil industries. They are being pressed by new clean air regulations to come up with less environmentally damaging products.

Results from the first phase of the Auto/Oil Air Quality Improvement Research Programme were announced by the American Petroleum Institute in Washington late last year, but were hardly definitive on how to solve the pollution problem.

The programme did reveal three important findings, however:

- Oxygenates, which help petrol burn more cleanly, reduce exhaust emissions (hydrocarbons and carbon monoxide).
- Changing the level of olefins in petrol does not have great impact on emissions.
- Reducing aromatics and/or the boiling range of petrol can either reduce or increase emissions depending on the vehicle.

In short, finding clean alternative fuels and fuel mixtures is complicated; if you resolve one problem you create others. More exact answers will have to be found soon, though, because the new US Clean Air Act requires that oil companies come up with a fuel that produces 15 per cent less pollution by 1995 for the country's nine most contaminated cities.

Amoco, a Chicago-based oil company participating in the study along with 13 other oil companies and General Motors, Ford and Chrysler, has been testing various fuels and fuel combinations at its Naperville, Illinois test site outside Chicago.

Al Kozinski, Amoco's vice president of research, says that compressed natural gas (CNG) has the most potential to solve the smog problems. CNG produces low hydrocarbon emissions and those that it does give off are not very reactive with other elements.

It also presents an improvement over petrol when starting up the engine, the point at which even relatively clean cars produce most emissions because their catalytic converters need to warm up before they function properly.

CNG does produce some carbon monoxide, however, as well as nitrous oxides. Another drawback is the greater volume of fuel needed to travel the same distance. In a Dodge van equipped to test CNG, for example, it took two containers of five cubic feet each – roughly the space of two boots in a small compact car – to carry enough fuel to go about 150 miles. Impractical, Kozinski admitted, for the family car, but a possibility for commercial truck and van fleets.

Refuelling is tricky, too, he said. To dispense CNG a complicated, expensive compressor is needed. While fleet owners could install their own and bring the CNG costs to within about 10 cents of the US price of petrol, individual car owners, relying on commercial dispensers, would probably have to pay a premium of 50 cents or more over petrol.

Still, CNG looks relatively economical – at about $2 per million BTUs at the well head – and plentiful. Amoco would be pleased to see it become the alternative fuel of choice because it holds the largest US reserves of natural gas.

While somewhat self-serving, Amoco contends that other fuel options – methanol, ethanol and liquified petroleum gas – have certain virtues but tend to be more expensive to produce and are less plentiful than natural gas. And, none of these is the perfect ecological fuel.

A different barrier, but one that is key to the future use of alternative fuels, is the vehicle itself. Cars that can use alternative fuels are only being built on a test basis and Kozinski estimated that it would cost between $1,800 and $2,000 to convert a passenger car for CNG.

But even then, Amoco's researchers said, they believe that switching back to petrol once a week is better for the cars. On top of other snags, CNG or methanol mixes tended to mean more wear on cars. "It would be nice if there were some easy answers," sighs Kozinski.



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FINANCIAL TIMES SURVEY

# ICELAND

■ A strategic base for surveillance of Soviet naval forces: see page 2

Wednesday, March 6 1991

The resolute people of Iceland have accepted, albeit slowly, that their economic destiny now lies with western Europe, but Icelandic negotiators insist that their country's special needs must be recognised, says **Robert Taylor,** who wrote this survey.

## Ambivalent Europeans

ICELAND faces a genuine dilemma about its future which threatens to grow more serious over in the 1990s.It must seek to reconcile its independence as a small nation with the growing pressures being imposed upon it by the outside world, particularly from the integration of western Europe.

As a small, geographically-isolated island with a population of only quarter of a million, located in the remote but strategically important waters of the north Atlantic , Iceland values its identity as a self-governing democracy based on the principles of the market economy. Ever since their formal declaration of independence from Danish rule in 1944, the Icelanders have built up their country through the strength and ingenuity of their own efforts.

By international standards, Iceland is one of the most affluent countries in the world. Its people live longer than most others and its infant mortality rate is almost zero. Most modern consumer durables are owned in abundance. Icelanders read more books than any other people in the world and they are among the best educated. They defend their ancient language with ferocity from the intrusions of English.

But appearances can be deceptive. Iceland knows full well it cannot survive on its own. Its very existence has always depended on the goodwill of others. The country's wealth is almost wholly derived from the success of its fishing industry. Indeed, fish dominates every conversation. Iceland is the world's most developed nation to rely —like a Third World country — on the ups and downs of one commodity.

Between 70 and 90 per cent of its exported goods in the post-war years have come from fishing and fish processing, even though the industry accounts for only 17 per cent of the country's workforce.

The defence of the fishing industry remains vital for Iceland's prosperity, but its well-being rests primarily on factors that lie outside the country's own control like changing consumer tastes in the export markets and the size of the catch which can vary year on year.

Iceland's security rests on the American military presence at the Keflavik base and on membership of the North Atlantic Treaty Organisation, while its economic interests brought Iceland into membership of the General Agreement on Tariffs and Trade in 1967 and the European Free Trade Association in 1970.

However, despite its growing links to the outside world, Iceland has moved only slowly in compromising its national sovereignty. After all, it was only through its unilateral actions that the country eventually established a 200-mile wide,758,000 sq. km. exclusive fishing zone around its coastline in 1975 to protect its main natural resource from others.

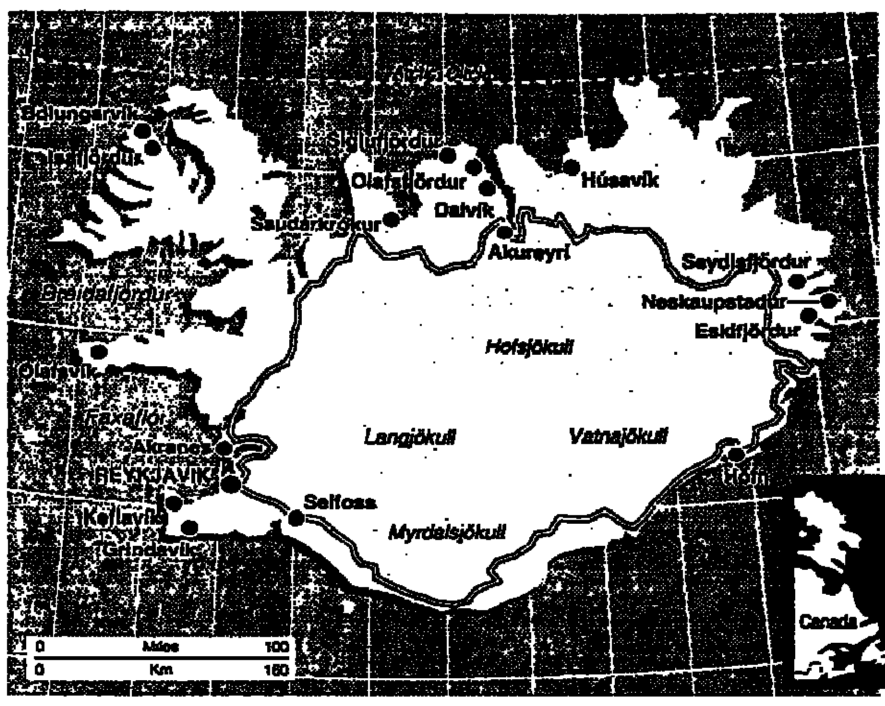
What worries many Icelanders is a sense of their country's vulnerability. As a result, they have been cautious about forging closer ties with other nations, prefering a rather semi-detached position towards western Europe, the United States and the Soviet Union. In the words of Gunnar Helgi Kristinsson at the University of Reykjavik Iceland in the recent past has been "a reserved European."

But as part of Efta, Iceland is involved in the current negotiations with the European Community on the creation of a European Economic Area to come into force on I January 1993 — and this has meant coming to terms with a wide range of necessary changes as the country has begun to dismantle the plethora of controls and regulations surrounding its economy and embrace a more open, liberalised market system.

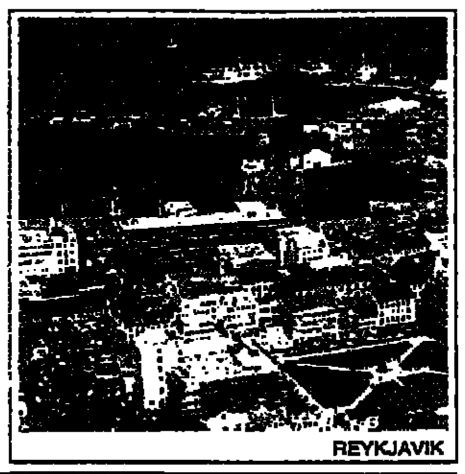
However, Iceland's negotiators know — and so do their colleagues in Efta and the EC — that unless the country can achieve a special deal with the EC to safeguard its fishing industry, it will be unable to agree to any rapprochement with western Europe.

"For us, relations with Europe are a much bigger question than for most," insists Mr Jon Hannibalson, Iceland's foreign minister. In other European countries, fish is a marginal, heavily-subsidised industry, but not here. Our national survival is utterly reliant on fishing. We cannot enter into any economic relationship with Europe on the basis of free trade if our main industry is excluded."

But today Iceland's fishing industry is more than ever dependent on access to the markets of the EC. Around 60 per cent of its fish and fish products now go to EC countries. The decline in the value of the American dollar has hurt trade with the US. Since 1972, there has been a free trade agreement between Iceland and EC on free trade in frozen fish, a better deal than the country achieved from Efta until 1989.











But fish industry employers lament what they regard as the threat to their interests posed by the common fisheries policy in the EC and the changes which have occurred in the industry since 1972, such as the growth of processed fish products and fish farming, have meant that less than 60 per cent of Iceland's fish exports to the EC countries are free of duties.

The EC may be happy to see fresh fish from Iceland in its markets, but high imports threaten to make the country's fish processing industry uncompetitive in the EC —"our main aims in negotiations with the EC are clear," asserts Mr Hannibalson. "We want tariff-free access for all our fish and marine products, but at the same time we need to safeguard our fish resources."

"The EC talks of the four freedoms in the internal market, but we need a fifth — the freedom of seafood trade," insists Mr Magnus Gunnarsson, head of the Union of Icelandic Fish Producers.

Actual membership of the EC is not on Iceland's current political agenda. Indeed, the prime minister, Mr Steingrimur Hermansson asserts: "We don't believe full membership would suit us. Our economy is so different from that of Europe."

He wants to ensure national control over fishing, hydro power and land-ownership. Mr Olofur Hannibalson, the foreign minister is a little less hostile, but he, too, argues "no long-term acceptable solution with the EC can be achieved unless we can achieve a free trade in fish products."

Most want to use the collective bargaining power of Efta to prevent Iceland's isolation from the EC.

Iceland's leaders are well aware that their country's dependence on fish for its livelihood constrains their room for manouevre, so they are increasingly keen to encourage a greater diversification of the economy.

Exploiting Iceland's enormous under-utilised resources of hydro and geo-thermal power could make a useful contribution to the economy. As Mr Halldor Joantansson, general manager of the country's National Power company explains: "Only 8 per cent of that power — 4.2 TWh a year — has been developed so far."

A feasability study has been made into the possibility of exporting 500MW of electrical power annually from Iceland to Scotland through a 950km-long submarine cable to provide energy for the British consumer. It has been estimated that this could be done at a price competitive with nuclear energy, oil and coal, though the initial cost of such a scheme would total £1.08bn — made up of the expenditure on the cable and construction of power projects to produce the electricity.

Mr Cecil Parkinson took a keen interest in the idea when he was UK energy secretary, but there has been less enthusiasm more recently in the Department of Energy, perhaps because of the uncertainties with the privatisation of the supply industry.

Another project that could exploit Iceland's energy resources is the so-called Atlantal scheme to construct a huge aluminimum smelter on the island. This could have a large and beneficial impact on the economy by 1995, but the foreign consortium behind the project has yet to finally clinch the deal because of lack of finance which it is now trying to raise.

As a live volcanic island of rugged, spectacular scenery often reminiscent of the surface of the moon, Iceland remains an unspoilt wilderness, which should have an increasing appeal for a more discriminating kind of tourist.

Ms Kristin Halldorsdottir, head of the Tourist Board, wants to build up tourism carefully — "we don't want too many visitors," she argues. But Iceland has potential for those who want to calm their aching limbs and minds in its hot springs, go on adventure holidays in its mountains or simply see the sights. A special effort is being made to attract the Japanese, though Germans are the largest contingent now coming for holidays.

But Mr Gunnarsson at the Icelandic Fish Producers is right to assert that Iceland's future will remain dependent on its fishing industry. Every discussion comes back to that imperative. This is why (to the exasperation of Brussels, no doubt), Icelandic negotiators insist their country can never hope to fully integrate into the new Europe unless its special needs are recognised and taken care of.

Over the past few years, Iceland has accepted , albeit slowly, that its destiny lies with western Europe. Despite some anxieties, it is adjusting its economy in a more deregulated, liberal direction, particularly in the financial markets with the gradual removal of foreign exchange controls.

Moreover, public opinion polls suggest most Icelanders are ready to seek EC membership. But as Gunnar Kristinsson argues the government strategy of adaptation through Efta coupled with a bilateral approach to secure access for Icelandic fishery products inside the European fish markets can only work "if the EC decides to take a benevolent attitude" of their needs.

If the government's strategy fails, "a debate is likely between those who place their main emphasis on political sovereignty and those who give a higher priority to economic progress," says Mr Kristinsson. This would mean an open national debate about where Iceland's future lies, on whether the country can balance its conception of political sovereignty with its economic freedom. It is probable but not utterly certain that the outcome would be the integration of Iceland into western Europe.

As so often, this depends on how others see Iceland and whether they accept the strength of the country's genuine case for special treatment. But it would be wrong to suggest Iceland is a weak supplicant whose future inevitably lies inside the EC. Culturally and economically, the case for this might look irresistible. Yet it seems just as likely that the country will have to find its own way forward and reach a *modus vivendi* with the EC that stops short of membership.

A proud and resolute people, the Icelanders are not going to sacrifice their own interests for any wider European idea.

# ICELAND 2

## Strong defence links with NATO and the US

# Vital base for naval surveillance

ICELAND is a paradox. A founding-member of the North Atlantic Treaty Organisation, it has never had any military forces of its own. The US, through its possession of the Keflavik base in the south west of the island, provides for Iceland's basic defence, as a result of a bilateral treaty, signed between the two countries in 1951.

Iceland's policy of NATO membership and no armaments reflects an ambivalence that lies at the heart of the country's attitude to the outside world. Emotionally, Icelanders would like to be alone, setting a moral example of how to live for others to follow.

This righteous aspiration was enshrined in the movement for independence from Danish rule – "we see ourselves as a far-away, peace-loving country," says Mr Albert Jonsson at the Commission on Security and International Affairs. "We are reluctant to recognise we have obligations and responsibilities to face up to."

The US military presence on the island has been the object of opposition over the years, but not recently. The US forces, in fact, behave with sensitivity – its 22,000 personnel at Keflavik keep very much to themselves and when they leave the base they do not go out in uniform.

Moreover, Keflavik costs the Icelandic taxpayer nothing. Indeed, it is a bargain for the country, actually making a positive contribution to its economy estimated at around 7 per cent of export earnings.

Support for NATO and the US base is now quite strong – "the base is not an issue," declares Mr Jon Hannibalson, Iceland's foreign minister. "Satellite television is more of a danger to our way of life."

Anti-Americanism is hard to find nowadays – "don't forget, the US was the first country to recognise our independence in 1944," adds Mr Hannibalson. "Our young people are increasingly going to the US to be educated."

Icelanders, however, are not poodles of American power: they want to exercise what moral authority they can in foreign policy. This helps to explain the recent support given by the Icelandic Parliament to the independence movements in the Baltic states, especially Lithuania.

"There is a feeling that it is the duty of small nations to demonstrate their solidarity with each other," states Mr Hannibalson. He points out that Iceland did not recognise Stalin's annexation of the Baltic states in 1940 and is merely re-asserting its conviction that they should be independent.

Whether this will lead to eventual diplomatic recognition for them by Iceland must remain in doubt, though it remains the logical next step. If the result is a rupture of relations with Moscow it may prove too high a price for Iceland to pay.

The country is also keen to press its NATO partners on a non-nuclear approach to naval disarmament. Since 1988 the Icelandic government has sought to widen the east-west arms control talks to cover nuclear weapons at sea.

**Nowadays the former international tensions over Soviet sorties around Iceland seem a distant memory**

A number of accidents in northern waters involving Soviet submarines has given this demand greater urgency – "the build-up of Soviet naval forces is both a military danger and an ecological disaster for the north," says Mr Hannibalson.

"Their submarines are potential floating Chernobyls. At a stroke, one of them could destroy Iceland."

So far, the rest of NATO and in particular the US and Britain have not accepted Iceland's pressures to include naval disarmament in their negotiations with the Soviet Union.

But the country cannot escape from the logic of its geography. As Steve Miller argued in a recent study from the Stockholm International Peace Research Institute, Iceland occupies a crucial geostrategic location, astride the waters that connect the Norwegian and Barents Seas to the open ocean of the North Atlantic.

It is sometimes said to be the cork that keeps the Soviet Navy bottled up north of the Greenland-Iceland-UK (GIUK) gap.

"Our fate is inevitably linked to that of the US and Britain," admits Mr Albert Jonsson at Iceland's Commission on Security and International Affairs. This is why the UK government occupied Iceland in May 1940 as a pre-emptive move to thwart Hitler and why, in July 1941, - four months before Pearl Harbour - President Roosevelt agreed to station ground troops there.

Since World War Two, Iceland has been seen as a crucial base for surveillance of Soviet naval forces from Murmansk and the Kola peninsula. The melodramatic novel by Tom Clancey – *Red Storm Rising* – has highlighted the importance that Iceland would play in any Soviet military offensive against the west.

But nowadays the tensions of the past seem a distant memory – "there has been a dramatic drop in the number of Soviet air sorties around Iceland," says Mr Albert Jonsson of Iceland's Commission on Security and International Affairs.

Yet it seems most unlikely that Iceland is about to lose its strategic importance for the US, whatever happens to the future defence of continental Europe. Steve Miller at SIPRI emphasises that the American role stems from its 1951 bilateral treaty with Iceland, not the needs of NATO.

If the alliance was run down or the US decided to pull its forces out of mainland Europe, it would really make little difference to the durability of the American-Icelandic military relationship. As Miller explains, the US has a "permanent concern with the Soviet Navy, in particular because of its enduring interest in pursuing Soviet ballistic missile submarines in northern waters."

## Political squabbles over taxation policies

# Government change expected in April

ICELAND holds its next general election on April 20 and a change of government is expected. The Independence Party – in opposition since September 1988 – looks set to make big gains which may prove enough to ensure it plays an important part in the make-up of the next coalition.

This will not come as a surprise. Independence has held power in alliance with other parties for 33 out of the past 47 years. It retains strong roots across a broad cross-section of the electorate but with a particular strength in the urban areas.

At the last general election in 1987, Independence performed rather badly, falling to only 30 per cent of the vote, but this was mainly due to a split in the ranks immediately prior to polling day with the emergence of a breakaway group – the Citizen's party – which actually won seven seats in the 63-strong parliament.

Next month that particular party looks set to disappear from parliament with most of its electoral support expected to return to the Independence fold. Opinion polls suggest that the party could well achieve half the vote next month, but this seems an unlikely outcome to most observers.

The party's present leader, Mr Thornsteinn Palsson, who was prime minister from April 1987 to September 1988, accepts he will probably have to forge a coalition with others if he hopes to return to office this spring. He believes Independence lies closest to the Social Democrats, who will be "easier to negotiate with."

In his opinion, a new government with his party as the dominant force would be better able to reach an agreement, through Efta, on the creation of a credible European Economic Area because his party takes a more positive view of closer relations with western Europe. He also argues that Independence is more ready than the present coalition parties to pursue free market policies designed to attract foreign investment to the country.

He believes the main division between his party and the others lies in taxation policy. Mr Palsson wants to cut taxes and stimulate the economy. Indeed, he promised – rather rashly, some believe - to restore the level of taxation to what it was two and a half years ago when he was last in office, something that finance minister Mr Olafur Grimson ridicules as he attacks Mr Palsson's alleged "irresponsibility" over economic management.

To the outside world, squabbles over taxation may seem a rather trivial issue to decide what happens in the general election, especially when Iceland faces difficult and crucial decisions it must make soon over its future relations with western Europe.

But as elsewhere in the Nordic region, the political leaders seem more intent to fudge or divert the attention of the voters away from complex questions that could divide the traditional political system. As a result, public conflict looks bogus and parochial in Iceland, focusing more on personalities than genuine issues, let alone ideology.

For his part, Iceland's prime minister Mr Steingrimur Hermansson who leads the Progressive party, is keen to stress his government's economic achievement over the past two and a half years, particularly the readiness to take temporarily unpopular measures. The Progressives – like the Centre parties in Scandinavia – draw their support mainly from the rural areas but the party is more than just a pressure group for the agricultural interest. Indeed, under Mr Hermansson's leadership, the party has gone much further than many of its more traditional supporters would have liked towards creating a more liberal, open market economy.

There is little doubt that the Social Democrats as coalition partners have been keen to urge the Progressives into following a more market oriented strategy – "we are adapting our policies to be in line with European practice to reap the benefits of increased competition," declares Mr Jon Hannibalsson, the foreign minister and leader of the Social Demo-

Continued on facing page

## KEY FACTS AND INDICATORS

*A fishing trawler unloads at Jeykjavik*

| | |
|---|---|
| Area | 103,000 sq km |
| Population | 254,000 (1990 estimate) |
| Currency | Krona (Ikr) |
| Average exchange rate | 1989 $1 = Ikr57.04, 1990$1 = Ikr58.28 |

### ECONOMIC INDICATORS

| | 1989 | 1990 |
|---|---|---|
| Total GDP ($bn) | 5.1 | 5.6 |
| Real GDP growth (%) | -3.3 | -0.3 |
| GDP per capita ($) | 20,610 | 22,400 |
| Consumer prices (% change p.a.) | 20.3 | 15.5 |
| Wage rates (% change p.a.) | 13.3 | 9.1* |
| Unemployment (%) | 1.6 | n.a. |
| Total fish catch ('000s of tons) | 1505.3 | 1381.7 |
| Reserves minus gold ($m) | 337.3 | 433.7 |
| M1 growth (% p.a.) | 34.7 | 27.6* |
| Discount rate (% p.a, year-end) | 38.4 | 21.0* |
| Current account balance ($m) | -93.3 | n.a |
| Exports ($m) | 1401.5 | n.a. |
| Imports ($m) | 1267.3 | n.a. |
| Trade balance ($m) | 134.2 | n.a. |
| Main trading partners, (1989, % by value): | | |
| United Kingdom | 20.8 | 8.1 |
| United States | 14.3 | 11.0 |
| West Germany | 11.9 | 13.1 |
| European Community | 56.4 | 51.1 |
| EFTA | 11.0 | 19.1 |

* *Latest figure, at annual rates.* *Sources: IMF,OECD,EIU.*

Tough measures pay off, but they cost the government much electoral popularity

# Rapid move towards economic stability

ICELAND'S economy has achieved a measure of stability over the past 12 months that it has not known for more than 30 years. Indeed, as Mr Olafur Grimson, Iceland's finance minister, declares: "We have achieved a unique record.

"In the forthcoming election, the issue – as it has been for nearly half a century – will *not* be on how to get down the rate of inflation, improve conditions for the fishing industry, how to devalue the currency or achieve a positive trade balance.

"The centre-left coalition has given Iceland a better economic performance than any other European government has achieved over the past three years," he asserts.

"We have taken the tough measures that were necessary. When I became finance minister in September 1988, we were facing economic catastrophe. We had no choice but to act."

Mr Grimson argues that, during his term in office, he has proved that Iceland "does not have to live with a high rate of inflation, as many people believed."

Last year the cost of living index rose by 7.3 per cent, which might be above the OECD average but also happens to be the lowest that Iceland has achieved in 20 years. He hopes there will be "no return to the bad old ways of spending as if there was no tomorrow."

Others believe this is possible, that a 'new realism' has arrived in Iceland which has rid the country of the extreme fluctuations in economic fortune that have plagued it for much of the post-war period.

Both the International Monetary Fund, in a confidential report, and the OECD in its latest survey have expressed approval at the country's current economic policy.

Forecasters suggest Iceland should manage an average 7 per cent inflation rate this year as further evidence of the success of the present government's stabilisation programme.

Bringing greater calm to the economy has not been easy and it has cost the government much electoral popularity. Between 1987 and 1990 Iceland's gross domestic product per head fell by almost 8 per cent, compared with a 9 per cent average rise in OECD countries.

Private consumption over the same period plummeted by 13 per cent in real terms, though it rose by 1.5 per cent in 1990. Industrial investment virtually collapsed by as much as 40 per cent in real terms over the last three years.

The severity of the austerity helped to stabilise the economy. As a result, the government can point with some validity to other positive results on top of its relatively low inflation rate.

The trade deficit of 1987 and 1988 was transformed into a IKr8bn surplus in the next two years, mainly due to a huge fall in imports of 25 per cent in three years. An IKr10.6bn trade surplus is forecast for this year. The balance of payments deficit has dropped from the equivalent of 3.5 per cent of Iceland's GDP in 1987 and 1988 to 2 per cent last year and 1.6 per cent forecast for this.

The 18-month wage and price agreement reached between employers and trade unions last February helped to contain inflationary pressures by keeping the rise in nominal earnings down to 9-10 per cent. Wages are expected to grow by slightly less than 8 per cent this year, according to the latest forecast from Iceland's National Economic Institute. It is hoped a new centralised wage and price deal will be negotiated this September for a further 18 months when the present one expires.

**A 'new realism' has arrived in Iceland which has rid the country of the extreme fluctuations in economic fortune that have plagued it for much of the post-war period, say observers.**

There are still some problems that worry the Ministry of Finance. The budget deficit has grown larger than anticipated. Last year it amounted to 1.5 per cent of Iceland's gross domestic product and it is expected to total 1.0 per cent this year. The country may have a small public sector compared with the rest of the Nordic region, but its financial demands have to be met.

Over the past two years, transfer payments rose by 10 per cent in real terms due to increased subsidies and higher social security benefits. For 1991, IKR41.5bn has been allocated for transfer payments but this involves a 3.6 per cent increase, a substantial decline in real terms.

Iceland's foreign debt also remains formidably large – a burdensome reminder of past economic mismanagement. It is expected to fall from 48 per cent of GDP last year ($2.718bn) to 46 per cent this year but the cost of servicing that debt is expected to climb in 1991 to 8.5 per cent of GDP compared with an average 7.5 per cent over the past two years. Moreover, Iceland is not going to emerge at a rapid pace from its present stagnation. Indeed, the National Economic Institute has estimated in its latest forecast that growth in 1991 looks likely to be not more than 1 per cent, mainly due to the smaller capelin fish-catch expected this year, as well as the difficult international picture.

The outlook for the medium-term is also sobering. In its 1990 survey of the Icelandic economy, the OECD argued that even if "more favourable external conditions should result in faster growth than expected," any resulting "growth dividend" would have to be "used to repay external debt and reduce imbalances."

Market-oriented structural reforms which have been carried out since 1987 have "put the economy in a much stronger position to adapt and diversify and to reduce the excessive volatility which characterised the past decade," says the OECD.

Mr Grimson will fight April's general election on an economic programme that calls for an increased purchasing power for the lower-paid, more structural reforms in industry, environmental improvements and, above all, maintaining economic stability. He may lead the most left-wing party in Iceland, but he also argues what the country lacks is "a modern entreprenurial class" with skills in marketing and production methods.

"We must develop an entreprenurial culture," he insists. Iceland faces "a real choice" this spring – between continuing to strengthen the economy's stability or returning to the roller-coaster mentality that did so much damage to the country during the 1980s. It may well be that the recovery that has taken place over the past three years is based on fragile foundations and internal and external pressures will refuel an inflationary spiral. Certainly there is a danger – if the massive Atlantal smelter project gets off the ground – of a return to an overheated economy. But the need for self-discipline, higher interest rates, a tighter fiscal policy on public spending, and the creation of a more competitive atmosphere do appear to have more widespread support than they used to have.

Yet observers believe Iceland cannot afford to become complacent. It is too early to jump to the comforting view that the wild swings in the economy will not return in the 1990s.

As the OECD noted in its December report, "avoiding the sort of over-heating that has plagued the Icelandic economy in the past, may prove difficult."

## Aluminium project runs into delays

MANY Icelanders believe the country's hopes for greater prosperity lie in the completion of the so-called Atlantal aluminium project. Meanwhile, a consortium seeks to raise funds from US banks for the $1bn smelter

The plant at Keilisnes, 25 miles south of Reykjavik, with a capacity of 210,000 metric tons a year, could certainly have a beneficial impact on Iceland's economy. The country's independent National Economic Institute calculates it would add an extra 4 per cent both to real disposable income and the gross domestic product by 1996.

The consortium is negotiating with the Icelandic government, the country's National Power company and local authorities over the project. The three foreign-owned companies involved are Alumax of the US; Granges, a division of Electrolux, the Swedish white-goods maker and Hoogovens Aluminimum BV, a Dutch company.

At a meeting in New York last month, members of the group and Icelandic government officials accepted that it would probably take a further six to ten months to complete the financing arrangements, though completion of contract negotiations is planned within the next three months.

## Political changes

Continued from facing page:
crats. "But don't forget my party is quite different to the other Nordic Social Democratic parties. We are less statist, less protectionist, more free market and liberal. Perhaps this is due to the fact that our left-wing has broken away from us on five separate occasions."

But today's market orientation by Mr Hermansson's centre-left government is also enthusiastically supported by the third partner in the coalition – the People's Alliance, which is the most left-wing party in Iceland. Its leader, Mr Olafur Grimsson is finance minister and he sounds as fiscally conservative as any prudent banker would like to hear. It is true that Mr Grimsson's candour fails to please the Stalinists in his party who yearn for state controls and autarchy, but he seems willing to face down their opposition, even though he risks fissures in the party ranks by doing so.

"I stand politically at about the centre of the British Labour party," says Mr Grimson. But in fact, he talks more like a member of Dr David Owen's defunct Social Democrats. The market economy certainly looks safe in his hands. Mr Grimson is a pungent controversial exponent of New Realism. It is true he does not like the US military base at Keflavik and he wants a "rethink of Icelandic foreign policy," as well as a better deal for the low paid and more emphasis on cleaning up the environment. But he is as keen as anybody in the coalition to curb the rate of public spending increases and tackle the budget deficit.

The People's Alliance may be a casualty in next month's general election with a fall in support and it might be forced into a withdrawal from government, but its current term in office suggests it is ready as are the other parties to accept a market based consensus.

What radical challenge there is in Icelandic politics, comes from elsewhere. Four years ago the political system was rocked by the arrival of the Women's Alliance in Parliament when they won six seats and 10.1 per cent of the vote.

Formed in 1983 as a protest movement rather than a party, the exclusively female Women's Alliance rose in popularity to around 30 per cent support at the depths of Iceland's recession in 1988.

Since then it has fallen back and lost momentum. Informed observers believe WA will find it hard to repeat their 1987 achievement next month, but it is possible that they could become a pivotal force in the coalition-making after 20 April. This will depend on their readiness to compromise and accept the give and take of multi-party politics.



Changes in finance and banking regulations

# An important step forward

ICELAND'S financial and banking system is being deregulated by stages to come into with the European Community's internal market on January 1, 1993.

The restrictive structure dominated by government controls really began to liberalise in 1984 when the country's commercial banks were permitted to decide their own rates of interest subject to the veto of the Central Bank. This was modified still further two years later with the passage of new banking legislation.

Last September another important step forward was taken when Iceland decided to ease foreign exchange regulations on long-term capital movements. Their complete removal will have taken place by January 1, 1993.

As a result of these changes, Icelanders will be free to make direct investments abroad, buy real estate and invest in long-term foreign securities within specific maximum amounts which will disappear by January, 1993.

At the same time, Icelanders will also able to borrow overseas for whatever reason as long as the transaction is not guaranteed by a domestic financial institution. The ceiling applying to the size of the amount will increase until it too is dropped on January, 1993.

"We have followed a step-by-step strategy, but the changes have been radical," argues Johannes Nordal, the Central Bank governor. "We are now operating in a quite different climate to that of ten years ago."

These developments have already begun to transform Iceland's financial system. In 1986, a securities exchange was opened with the main trading being carried out by the Central Bank with the main commercial banks and private brokers also taking part, mainly trading with government bonds.

Since 1985, there has also been the development of mutual funds whose gross assets have risen from IKr385m in that year to IKr9.780bn by the end of 1989. The tiny Iceland stock market is also going through a period of rapid expansion, helped in particular by heavy share-buying by the country's pension funds.

In its 1990 survey, the OECD wrote critically of "inadequate competition" in the country's banking system.

"Private banks are not confronted by a level playing field," it complained.

"State banks have the advantage of being able to get assistance in writing-off bad debts while their deposits carry a state guarantee. Together with the absence of foreign competition, these factors serve to reduce efficiency and increase deposit rates and spreads for the private institutions."

There has certainly been a restructuring of the Icelandic banks over the past two years. Mergers and amalgamations have been encouraged by the country's minister of commerce, Mr Jon Sigurdsson. As a result, their number was reduced from seven to 3.

The most important change was the creation of Islandsbanki which is the only major privately-owned commercial bank in the country. This followed the coming together of the Union Bank, the Industrial Bank and the Iceland Bank of Commerce who reached an agreement with the Icelandic government to acquire the state's capital stock in the Fisheries Bank. All four of them then merged to form Islandbanki which came into being on 1 January 1990.

"There was no take-over but a merger of equals," insists Mr Valur Valsson, head of the new bank. Islandbanki is keen to stress competition and quality as its guiding principles in a banking system unused to the free market.

In a further rationalisation, Landsbanki, the country's largest bank which remains under state control, took over the small Co-operative Bank.

The Central Bank is now examining – at Mr Sigurdsson's request – whether Landsbanki should be turned into a public limited company. Many observers believe it is only a question of *when*, and not if, Iceland's entire banking system is freed from state-ownership.

For the moment, however, Landsbanki remains firmly under the state's authority.

# Why has the best person for the job gone to work for someone else?


## The best person happened to be disabled.

All that was needed was a little encouragement, a sign that the employer was committed to good employment policies and practices for people with disabilities. Then they might have applied.

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TELEVISION

# Sitcom reaches the menopause

The Gulf war has so dominated our attention in the last few weeks that we are in danger of overlooking altogether matters which might normally have been the subject of entire columns. Time, then, to take a broader look at television's spring season and see what trends have been emerging. Consider first the sudden popularity (among programme makers, not necessarily with viewers; that is yet to be seen) of the sub menopausal sitcom.

Time was when half-hour comedies all seemed to be about young people sharing flats, or youthful parents bringing up unruly infants. No doubt that is pretty unsurprising when you consider the writers and producers: their own experience ran to sharing flats and bringing up unruly infants. They were members of the 1960s generation and their characters tended to lead lives which – by television's ultra conservative standards, at any rate – were ever so slightly offbeat or daring. For instance in *Man About The House* (1973) Richard O'Sullivan's unmarried character shared a flat with two unmarried girls played by Sally Thomsett and Paula Wilcox. Wow, naughty naughty.

This season Wilcox has turned up as a middle aged mum in *Fiddlers Three*, Yorkshire's comedy series about jealousy and neurosis in an accounts office, and O'Sullivan takes the lead role of a neurotic middle aged psychiatrist in LWT's *Trouble In Mind*. Episode 1 was all about his terror of the needle, the injection being a necessary preliminary to his vasectomy. These days of course members of the 'sixties generation, whether successful writers, producers, or actors, are driving around in foreign automatics chatting on their car phones, so that is exactly what the characters in these new series do.

In O'Sullivan's case it is a black BMW, but the three smart limousines which swished into the hospital car park at the start of Episode 1 of *Doctor At The Top* were a Lancia, a Saab and a Volvo. (Comedy writers take a bleakly honest view of the preferences of the better-off British middle classes.) The men who emerged from those cars were Geoffrey Davies, George Layton and Robin Nedwell, the very people who played the medical students when London Weekend launched *Doctor In The House* 20 years ago. Now they are the grandees of the medical profession.

Television is a very young business. There are people still working in it today who began making programmes for the BBC at Alexandra Palace in the early 1950s when there was virtually no audience (David Attenborough for example). The big expansion came in the 1960s and for those of us who belong to the 'sixties generation it is naturally pleasing to see our contemporaries continuing to do so well. Whether it is really in television's own best interests, however, that this domination should continue is a moot point. Thank goodness for the youthful craziness of *Red Dwarf* where there is an admirable absence of bald patches, vasectomies and foreign limos.

The second noticeable trend is that in drama sexual explicitness suddenly seems to have become not merely acceptable but pretty well mandatory. A new series of "4 Play" opened with a wonderfully heartening drama called *Deptford Graffiti* by Sheila Fox in which Nabil Shaban, an actor who is genuinely confined to a wheelchair because he possesses only about two thirds of a normal body, played George, a tough, obstinate, and inspiring character who disregarded his circumstances and wilfully picked fights with Hell's Angels.

The most admirable aspect of the work was that nobody made condescending allowances for the disabled or disadvantaged; they were simply a natural part of the action and some very powerful material travelled in both directions. "You ever *seen* an epileptic spastic at full throttle?" George asked mischievously, and at another point was told, with some justice in terms of the plot, "You're no different, you're just like all the rest, wrapped up in yourself".

But the most touchy scene was when Cherry stripped off to take George to bed, not out of charity but partly from affection and perhaps partly as a challenge. Some viewers will have been embarrassed because some viewers always are, but it seemed to me a key scene, extraordinarily well played. George was obliged for the first time to acknowledge his own reality: "This could break my back. Cherry – I'm a virgin."


Twenty years on: George Layton, Geoffrey Davies and Robin nedwell have risen in the medical profession in 'Doctor at the Top'

There were some absurdly funny sexually explicit lines in the next item in this series, *Itch* (more accurately *'itch*) written by David Stafford and Alexei Sayle, with Sayle playing the demon hitch-hiker who was marooned on a roundabout and inspired the residents of the adjoining estate to change their lives. "Has that ice pack on your scrotum melted yet?" one wife asked her husband, to which he replied "Ages ago" whereupon they resumed their intensive efforts to conceive a child.

By now regular readers of this column who remember the demands over the years for the phrase "sex-and-violence" to be broken up, on the grounds that we need more of the former and less of the latter, are probably muttering "Surely he's not complaining, he's the one who campaigned for it". But nowhere in this column has there ever been a call for violent sex, sadistic sex, or any sort of cruelty connected with sex – but that is so often what television gives us.

The third work in the "4 Play" series, Daniel Mornin's *In The Border Country* which invented a most striking visual technique, sometimes reminiscent of Cocteau's *Orphee*, had some pretty routine and uninspiring bonking in it, as well as some extremely unpleasant, uninformative, and unnecessary violence. But the lulu of the season so far was *The Laughter Of God* in BBC2's "Screen Two" slot on Sunday. Why anybody should imagine that the vivid depiction of anal rape and mistress battering has anything to do with entertainment is quite baffling. Perhaps Tony Bicat could enlighten us since he both wrote and directed this ludicrous farrago.

At least the sex in *The Orchid House* was pretty, though a kinder cameraman would have warned Kate Buffery about the little shadows thrown by the cellulite lumps on those sturdy thighs as she strode starkers into the tropical pool. Still, it is the very presence of this latterday bodice ripper on Channel 4 which brings us to the third trend: the way in which this channel is changing into just another commercial channel with some conscience-salving minority flourishes.

The change is not so very great because even in Jeremy Isaacs' day Channel 4 screened a higher proportion of American programmes than any channel in Britain or Europe, and ratings catchers such as the soap opera *Brookside* have been with us since the channel's opening night. But now, in addition to the soap and all those American comedies in the early evenings (*Kate And Allie*, *The Wonder Years*, *Happy Days*) they also have the *Jonathan Ross* chat show three times a week, which is as painlessly missable as *Wogan*.

Furthermore it seems that increasingly often the centre of the evening schedule is occupied by the sort of international drama – *Orchid House* or *LA Law* – which nobody could possibly pretend was either a programme for minorities, or an attempt to "be different", which was the other famous instruction given to Channel 4. It is possible, though far from certain, that the result of these changes is a small increase in audience share: in the last three weeks their figures have been 10, 10 and 9.8 per cent – but then in the spring of 1988 they took a share of around 11 per cent for an unbroken run of six weeks.

As with menopausal sitcoms and mandatory sex in drama, this trend is difficult to "prove". But the gut feeling of a regular viewer is that Channel 4, which always was pretty soft at the edges, now has a bit more of a soft centre too. If true it is hardly surprising since the channel is soon going to lose the protection and support of ITV and be obliged to stand on its own feet, sell its own advertising, and earn its own living. It is as well to be clear about the possible implications of that change.

**Christopher Dunkley**

# La fanciulla del West

**NEW THEATRE, CARDIFF**

Welsh National Opera's *Fanciulla* goes at least part of the way to soothing memories of the last sortie to Cardiff for the company's dreadful *Count Ory*. The new Puccini is decently sung and conducted, and presented in a fine-looking production by the Romanian director Petrika Ionesco.

The show, shared with the Opéra de Nice and first seen there, marks Ionesco's British debut. He has lived in France since 1971, and works as both producer and designer; the substantial sets for this *Fanciulla* are his, and were built in Nice. They are not exactly sumptuous, more carefully realistic: there is a spacey saloon for the first act, with plenty of room for galumphing miners and even for a brief appearance by a dancing bear; Minnie's cabin is a spartan affair but still occupies the full width of the stage; the entrance to the mine for the third is dominated by its railway track and by towering brick walls.

In the outer acts Ionesco fills his acting space with plenty of bodies and a good deal of business. But he seems more convincing on the general effects than at a character-to-character level; there is no obvious attempt to define any character outside the central trio, relying on broad-brush sketches with little fine detail. In the first act, especially, the action seems over-busy, lurching between stylised posturing and a more casual realism; the quickfire succession of subplots that gradually accumulate to give the opera its feeling of place and period are scarcely defined enough and it is only the steadily narrowing focus of the opera itself, one suspects, rather than by any sense of the production that brings the action finally into sharper relief.

And so it is when the drama finally settles upon the central trio that the spell of this production begins to take hold, and then Julian Smith's incisive, generously-paced conducting, combined with the highly coloured if slightly coarse orchestral playing, pays theatrical dividends. There is a sturdy gallery of roles around the principals, not all by any means fully fleshed, but never less than acceptable; Colenton Freeman's Nick and Ashley Thorburn's Ashby are both sung with a fine sense of style. The "Red Indian" couple of Billy Jackrabbit and Wowkle are played (well) as standard caricatures by Peter Massocchi and Valerie Seymour – curious that white-liberal sensibilities are not outraged by such cartoon treatment of native Americans, when a similar portrayal of black characters would be considered unacceptable; David Barrell contributes a blind Jake Wallace, the travelling minstrel, who is brought back at the final curtain to give the production its last image.

Dennis O'Neill's Dick Johnson sounds first rate and attains a real heroic attack in the final act; his is genuine Puccini singing of a superior standard. But he looks, well, a little unlikely as the charismatic hero of the piece, and much of the time acts awkwardly as if he knows that. Donald Maxwell's Rance is brutal, physical, and once he had overcome the stylisation of the first act, genuinely menacing, with a well-focussed, never rasping delivery; the violence is never far from the surface. And Suzanne Murphy is a genuinely convincing, moving and often thrilling Minnie, getting the mixture of toughness and vulnerability just right, and singing with freedom and easy control. It is one of the virtues of this straightforward staging that she and the other protagonists are given the dramatic space in which to build and doubtless to develop further their performances.

**Andrew Clements**


Suzanne Murphy: a thrilling Minnie

# Heaven

**LILIAN BAYLIS THEATRE, N1**

There is irony in the fact that London's most famous gay club is located in the arches beneath Charing Cross Station, and that people in search of bliss go there through an area long known for its homeless occupants. There is another irony in the fact that this club is called Heaven.

This double irony is the premise of this powerful, moving and exciting first play. The title *Heaven* acquires perhaps a triple irony from the fact that its author, Sarah Aicher, was a victim of the Lockerbie air crash. She completed it in 1988 and was writing a second play at the time of her death.

It is not a perfect work; there are some unnecessary loose ends. But it is absorbing – both tough and compassionate. Contrasts abound. Act One is centred around the contrast between two pairs of men – Billy and Johnny, tramps, and Steven and Blair, gays. The differences are plain. The two homeless are eccentric, in self-imposed exile, alternating obscurely from present concerns to obsessive memories. They avoid sensation; the two gays seek it.

But by the time you take in this much, you begin to see parallels too. In either pair, one man's force of will (Johnny's or Blair's) dominates and torments, but the other's spirit (Billy's or Steven's) is larger and more sympathetic. And each man is variously preoccupied by thoughts of love.

At first, the two pairs ignore each other; then, when Billy and Steven strike up a wordless friendship by chance, they connect; finally, in the climax of Act One, a melodramatic twist shows that they have been connected all along. As such twists go, this one is effectively prepared; and it then becomes the premise for what follows, in which Steven – like some latterday Orpheus – descends into the underworld home of the homeless. A play that began as if it had no plot to speak of turns out to be taut with plot.

Act One is the more poetic, especially in Billy's half-crazed zigzaggings between thoughts of religion, birds and women. He, the tramp, is the play's most chivalrous and complex character; Sam Dale plays him with fine intensity. The force of Act Two is largely based on fierce dialectic between Johnny, ruler of the underworld, and Steven; and Jeff Harding is gripping as he makes Johnny's bitter, cruel pride more and more comprehensible. And, alas, more destructive.

Crispin Redman portrays Steven's dilemmas simply, directly, affectingly. Robert Blythe is well cast as Blair, physically the most attractive character, morally its most repellent. The tramps confuse their thoughts of love and home with thoughts of religion – paradise lost – and in particular of the Virgin Mary. The play's ironies are never more stirring than in these connections between homelessness and the psychopathology of religion.

The most haunting and disturbing performance is given by Oscar Quitak, in the small but pivotal role of another homeless man, the play's oldest character, Jack. In Act Two he is locked into his own mental retreat, and the look on his face is like one of Rembrandt's or Cézanne's paintings of old people.

The image I cannot shake off is of him, seated in Heaven, seated in profile to us as if in prayer, gazing transfixed up at the wall-sculpture of Marilyn Monroe, gazing as if asking for her to intercede. Again and again, a twitch passes through one hand, as if he were plucking at a rosary.

**Alastair Macaulay**

# Czech music: Jirák and Zámečník

**PRAGUE**

What with the bicentenary of Mozart's death and the centenary of Prokofiev's birth, there isn't much room this year for other anniversaries – except in Czechoslovakia. Prague is busy celebrating the Dvorák 150th anniversary, and has also found time for Karel Boleslav Jirák (1891-1972), whose *Philharmonic Variations* opened a concert by the Czech Philharmonic Orchestra last month.

Although Jirák spent the last 25 years of his life teaching at the Roosevelt College in Chicago, his name is little known outside Czechoslovakia. After starting out as a conductor, he made his name as head of music at Czechoslovak Radio from 1930 to 1945. Like Martinu, whose path he hardly crossed despite superficial similarities in their careers, Jirák falls between the late Romantics and the 20th century avant-garde. In his day, his music was admired for its intellectual rigour; but its stiffness – a lack of spontaneity and impulsiveness – denied it widespread appeal. As an emigre he was out of favour with the Communists, and his output has still not been properly catalogued.

I liked the *Philharmonic Variations* (1940) immensely. The theme with which the violins open the work is a sunny, suave, laid-back tune, and a perfect vehicle for development. Jirák disguises and transforms it with impeccable taste and lively invention, handing over one set of variations to concertante violin and horn, presenting another as a fugue, yet another as a march. Jirák turns out to be an expert orchestrator, but there is nothing academic about his treatment. The textures are clearer, more Romantic than Martinu, and some harmonies are even rather languid. One detects a central European Vaughan Williams. Only in the final paragraphs – which blaze to a quick conclusion – are there signs of the Czech bite one had been expecting all along.

This performance in the Smetana Hall, conducted by Tadeusz Strugala from Poland, was followed by an equally well-argued account of Mozart's Symphony No. 40 and *Harold in Italy* with Wolfram Christ. Perhaps Libor Pešek – who has already introduced the music of Jirák's teacher, Vitezslav Novak, to audiences in Liverpool – might now also consider programming Jirák?

★

Under the Communists, state-supported culture in Czechoslovakia spawned literally hundreds of operas, most of which will never again see the light of day. Having sampled a good few of them, I am not about to spring to their defence. In 40 years' time, a few might filter through – and children's operas stand as good a chance as any. This was a genre which the machine of state culture could afford generously to support. To my knowledge, no-one used the medium to write coded messages for posterity; but the genre brought to the fore some talents that would not otherwise have been recognised – such as Evzen Zámečník (b.1939). *Brouk Pytlik* ("Brouk the Beetle"), one of several children's operas he has written, is currently proving popular in Prague.

Zámečník comes from Brno and studied in Munich with Gunter Bialas. In the 1970s he worked as a violinist in the Brno orchestras. *Brouk Pytlik* is based on a popular children's picture-book of the 1930s by Rudolf Zak – Jiri Pauer has written a ballet on the same theme. All the characters are insects, so there is plenty of scope for imaginative costume designers. Brouk is a well-meaning but bumbling Bunter-like figure, who keeps getting into a fix and blotting his copy-book with other members of the insect kingdom. Of course, he immediately wins the affection of a children's audience.

Zámečník is well aware of the educational opportunity at his disposal. After introducing himself at curtain-up, Brouk merrily drills a chorus of junior insects in the importance of rhythm and intonation. Each of the orchestra sections is given a chance to make its presence and role clearly identifiable. There is a delicious, dreamy waltz, plenty of punchy ostinatos and a serenade for two sopranos that is Ravellian in its touching simplicity. The music is light but never trivial.

Children's opera is something the National Theatre's ageing roster of artists – so lacklustre in other activities at present – does rather well, and *Brouk Pytlik* has something for nearly everyone. This production at the Smetana Theatre, staged by Miloslav Nekvasil and conducted by Jan Stych, included a cameo by Helena Tattermuschova (one of Prague's best postwar Vixens) as a spider and a strong central performance from Bohuslav Marsik in the title role. In a suitable translation, the opera would travel well.

**Andrew Clark**

## INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

### AMSTERDAM

**Concertgebouw Grote Zaal** 20.15 Anton Kersjes conducts Netherlands Philharmonic Orchestra in Wagenaar's overture Amphitrion and Franck's Symphony in D, with Emmy Verhey soloist in Bruch's Violin Concerto. Fri: Janos Furst conducts Gade and Nielsen with Hague Residentie Orchestra. Sat at 15.00: Rotterdam Philharmonic plays Messiaen's Turangalila Symphony. Sat at 20.15 and Sun at 14.15: Wolfgang Sawallisch conducts Concertgebouw Orchestra, with Murray Perahia (6718 345)
**Concertgebouw Kleine Zaal** 20.15 Orlando Quartet plays string quartets by Mozart, Haydn and Beethoven. Fri Mitsuko Shirai and Udo Reinemann sing Wolf's Morike Lieder, accompanied by Hartmut Holl (6718 345)
**Stadsshouwburg** 20.15 Nederlands Dans Theater in ballets by Hans van Manen, Paul Lightfoot and Paulo Ribeiro, also tomorrow (6242 311)

### BERLIN

**Staatsoper unter den Linden** 19.00 Siegfried Kurz conducts Der Freischutz, with Reiner Goldberg as Max. Tomorrow: Die Fledermaus. Sat: Die Zauberflöte. Sun: Parsifal (2004 762)
**Deutsche Oper** 19.30 Madama Butterfly with Yoko Watanabe in the title role. Fri: Il trovatore. Sat: Tosca (3410 249)
**Berliner Ensemble** 19.00 Galileo Galilei. Fri: Baal. Sun: Mother Courage (2827 712)
**Schaubühne** 19.30 Luc Bondy's production of The Winter's Tale, also tomorrow and Fri (890023)

### COLOGNE

**Philharmonie** 20.00 Cleveland Quartet gives European premiere of Stephen Paulus' First Quartet, and is joined by Sabine Meyer for Brahms' Clarinet Quintet (2801)
**Schauspielhaus** 9.30 Brendan Behan's play The Hostage, also (221 8400)
**Kammerspiele** 20.00 Brecht's In the Jungle of Cities, also Fri and Sat (221 8400)

### GENEVA

**Victoria Hall** 20.30 Armin Jordan conducts Orchestre de la Suisse Romande in Schubert's Great C major Symphony and Dutilleux's Cello Concerto with Francois Guye. Sun: Paul-Louis Siron conducts Handel's oratorio Jephtha (292511)

### MADRID

**Auditorio Nacional de Musica Sala Sinfonica** 19.30 Saulius Sondeckis conducts Chamber Orchestra of Lithuania, with Cristina Bruno piano soloist, also tomorrow. Fri, Sat and Sun: Aldo Ceccato conducts Spanish National Orchestra (337 0100)
**Auditorio de la Musica Sala de Camara** 19.30 Borodin Quartet, also tomorrow (337 0100)

### MUNICH

**MUSIC**
**Staatsoper** 19.30 Cinderella choreographed by Riccardo Duse, music by Prokofiev. Sat and Sun: Giselle choreographed by Peter Wright (221316)
**Philharmonie** 20.00 Heribert Beissel conducts Klassische Philharmonie Bonn in music by Cherubini, Mozart and Haydn. Tomorrow and Fri: Neville Marriner conducts Bavarian Radio Symphony Orchestra (48098 614)

### LONDON

**DANCE**
**Covent Garden** 19.00 Last performance this season of Natalia Makarova's production of La Bayadère, with Lesley Collier (240 1066)
**MUSIC**
**Coliseum** 19.30 Monte Jaffe sings the title role in Aribert Reimann's Lear, conducted by Paul Daniel. Tomorrow and Sat: The Turn of the Screw. Fri: Rusalka (836 3161)
**Royal Festival Hall** 19.30 Norman del Mar conducts Royal Philharmonic Orchestra in music by Brahms and Sibelius. Tomorrow and Sun: Giulini conducts the Philharmonia (928 8800)
**Queen Elizabeth Hall** 19.00 Peter Robinson conducts David Freeman's Opera Factory production of Le nozze di Figaro, sung in English (928 8800)
**THEATRE**
This week's shows include Peter Hall's production of Shakespeare's Twelfth Night (Playhouse), Silly Cow, Ben Elton's new play about a gossip columnist ((Haymarket), Steve Berkoff's adaptation of Kafka's The Trial with a cast led by Anthony Sher (National), Joe Orton's classic black comedy What the Butler Saw (Wyndham's) and Andrew Lloyd Webber's latest musical Aspects of Love (Prince of Wales). Phone Theatreline: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

### MILAN

**Teatro alla Scala** 20.00 Lorin Maazel conducts Jonathan Miller's production of La Fanciulla del West, with Mary Jane Johnson as Minnie and Giorgio Lamberti as Dick Johnson. Also Fri and Sun (7200 3744)

### NEW YORK

**MUSIC**
**Metropolitan Opera** 19.30 Jiri Kout conducts Der Rosenkavalier, with Mechthild Gessendorf as the Marschallin, Tatiana Troyanos as Octavian and Aage Haugland as Ochs. Tomorrow: Katya Kabanova. Fri: Le nozze di Figaro (362 6000)
**Alice Tully Hall**, Lincoln Center 20.00 Juilliard Quartet with Michael Tree, viola, play Mozart quartets and quintets (874 2424)
**DANCE**
**New York State Theater** 20.00 Joffrey Ballet: Diaghilev programme. Season runs till March 17 (870 5570)
**THEATRE**
This week's shows include Henry IV Parts 1 and 2 directed by JoAnne Akalaitis (Public), the comedian Jackie Mason's one-man show (Neil Simon), Mule Bone, a play with music, written in 1930 during the Harlem renaissance, with a cast representing the cream of black theatre over the past 20 years (Ethel Barrymore), and Larry Gelbart's City of Angels, musical satire about Hollywood in the 1940s (Virginia). Ticketron (246 0102) answers inquiries and sells tickets

### PARIS

**Palais Garnier** 19.30 Nederlands Dans Theater in Kaguyahime, ballet by Jiri Kylian with music by Maki Ishii, also tomorrow at 14.30, plus Fri, Sat and Sun at 19.30. Tomorrow at 20.30: Christopher Hogwood conducts Academy of Ancient Music (4742 5371)
**Opéra Comique** 20.00 Paris Opéra Ballet in Coppelia and Balanchine's Divertimento No 15. The decor and costumes for Coppélia have been modelled on the designs for the work's creation in 1870 in Paris. This programme runs till next Wed, except Mon (4286 8883)

### STOCKHOLM

**Konserthus** 19.30 Okko Kamu conducts Stockholm Philharmonic Orchestra in a programme of Berlioz, Stravinsky and Maros. Repeated on Friday in the Berwald Hall. Sat: Okko Kamu conducts popular orchestral programme (244130)

### STRASBOURG

**Palais des Congres** 18.30 Spiros Argiris conducts Parsifal with Warren Ellsworth in title role and Matthias Hölle as Gurnemanz. Also Sat (8837 6777)
**Théâtre Municipal** 20.00 Poulenc's La Voix Humaine sung by Anne-Marie Blanzat, plus Manuel Rosenthal's La Poule Noire, also Fri and Sun (8875 4823)

### UTRECHT

**Vredenburg Grote Zaal** 20.15 Frans Bruggen conducts Netherlands Baroque Orchestra in music by Bach, Muffat and Delalande. Tomorrow: Rotterdam Philharmonic plays Messiaen's Turangalila Symphony (314544)
**Vredenburg Kleine Zaal** 20.15 Sharon Quartet plays string quartets by Haydn. Fri: Orlando Quartet plays Mozart (314544)

### VIENNA

**Staatsoper** 19.00 Peter Schaufuss stars in his own production of La Sylphide. Tomorrow: Giuseppe Taddei sings Falstaff (51444 2960)
**Musikverein** 19.30 Dirk Joeres conducts Westdeutsche Sinfonia in music by Vorisek, Haydn and Schubert. Fri: Vaclav Neumann conducts Czech programme with Austrian Radio Symphony Orchestra (505 8190)
**Konzerthaus** 19.30 Piano recital by Ingeborg Baldaszti. Sun: Alfred Brendel plays Mozart piano concertos with Camerata Academica conducted by Sandor Vegh (7124 6860)

### ZURICH

**Opernhaus** 19.30 La Sylphide choreographed by Peter Schaufuss (251 0909)
**Kongresshaus** 20.00 Vanessa, Lynn and Jemma Redgrave in London West End production of Chekhov's Three Sisters. (221 2283)

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NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Wednesday March 6 1991

# Telecoms in a freer market

TELECOMMUNICATIONS is an industry with a brilliant future which is still struggling to escape the shackles of its past. Accelerating technological change is creating new opportunities for competition and undermining both the economic and the practical basis for the monopoly provision of services. However, simply declaring open season for all-comers is not enough to ensure real competition. Over the decades, telecommunications monopolies have built up powerful entrenched positions, which enable them to suppress new entrants and distort the market. Hence, the long-term goal of a completely free market – if it is achievable at all – can only be reached by the application of firm regulation.

The British government has rightly recognised this paradox in its White Paper on the future of telecommunications policy. Though formally a review of the duopoly shared since the early 1980s by British Telecom and Mercury, the paper's main concern is to curb the monopoly power of BT, which still supplies more than 90 per cent of UK telecommunications services.

On most of the big issues, the paper hits the right targets. The duopoly over fixed telephone links is to be replaced by an open licensing policy which will enable any British or foreign company to enter the market. If US experience of total liberalisation is any guide, this will benefit customers by promoting wider choice and lower tariffs for many services. Initially, at least, most new entrants will compete for market niches and will have to route much of their traffic through BT's network. Since BT can hardly be expected to co-operate spontaneously, the government sensibly plans to require it to give its customers equal access to all rival long-distance services and to provide standard terms for network interconnection.

## Price capping

The clearest sign that lowering entry barriers alone is not enough to protect customers' interest is the government's decision to continue and toughen regulation of BT's tariffs. The price capping mechanism will be extended to cover international services, for which BT has agreed under official pressure to cut prices by 10 per cent. So long as international services remain a *de facto* cartel worldwide, there is clearly a case for price controls. However, in this case – unlike the provision of local telephone services – there is ample scope for more competition. It is disappointing that the government has not displayed stronger determination to set the market free by hastening the demise of the cartel.

## Tariff 're-balancing'

From the perspective of BT's shareholders, the review may seem unduly harsh. However, the new price control mechanism goes some way to meeting the company's demands to be allowed to "re-balance" tariffs, and that freedom will be increased from 1993. Less easy to justify is the continued ban on BT providing cable television services on its network. The main effect is to deny BT's customers the efficiencies which could be achieved by combining telephony and television on one network.

The biggest criticism of the government's new policy is that it has not done more to require transparency about BT's financial structure. It has been too easy for BT to use commercial confidentiality as a reason for withholding information of legitimate public interest. That may be an argument for companies operating in normal competitive markets. But it sits awkwardly with BT's monopoly position. Customers need to be able to see for themselves that they are not being overcharged, and competitors to be sure that BT is not unfairly cross-subsidising its services.

The Office of Telecommunications has also refused to divulge such information, on the grounds that it is well able to protect the public interest. But though Oftel has performed a creditable job so far, lack of public transparency makes it harder to demonstrate its independence. Avoiding that pitfall is made all the more important by the expanded role conferred on the agency by this new policy. Oftel and ministers should recognise that regulators need to be accountable too.

# Midland tries again

SO MIDLAND Bank has a new chairman-elect and a new business plan. The next few years will show "a radical improvement", it is claimed. But we have been here before. Five years ago, the Bank of England installed its then deputy governor, Sir Kit McMahon, as chairman and chief executive in order to lead the troubled Midland to secure recovery. Instead, the bank has swung from one crisis to another.

The failure of Sir Kit's strategy has derived directly from the collapse of the plan for a merger with Hongkong and Shanghai Banking Corporation. But the lesson is not just that a misconceived strategy was adopted, but that while interference by banking regulators in commercial decisions may reduce systemic risk to the banking system, it is liable to involve high costs for shareholders. There were obvious political attractions for the Bank of England in creating a new international British bank. But commercial forces, if they had been allowed freer rein, would probably have thrown up a different solution.

If Midland had been a food manufacturer or a ladies' fashion chain, it would have been unlikely to have remained independent over the past five years. But it is a bank, and as such has been able to rely upon the protection of a regulator. Potential predators have been frightened away, perhaps not all of them quite so outrageous as Saatchi & Saatchi. There has been much criticism of the excessive use of the takeover mechanism as a cure for management failings in Britain, but Midland Bank provides a case study of what happens when management is released from that ultimate threat: there has been a steady decline, and a failure to face hard decisions, so that only now is it making a serious attack on its cost base.

## Takeover unlikely

The Bank of England's cocoon does not entirely exclude a takeover of Midland, at least by an EC-domiciled bank, but it does not look a likely solution at present. If one of the other domestic clearing banks were to make a move, its aim would essentially be to shut Midland down. That would not only be distressing as a management proposition, but the benefits would be enjoyed by the other banks as well as by the bidder. The other clearers are happier that Midland should remain in existence as a weak competitor. Potential foreign bidders in Japan, the US and Germany are all absorbed with local problems and opportunities.

## Establishment solution

The natural commercial bidder for Midland now would be a non-bank, one capable of taking drastic corrective action, and with no hostages at stake elsewhere in banking. Alternatively, tough new non-banking management could be introduced by shareholders, again with a brief to turn Midland around quickly. But such moves would not be in the interests of the regulators, who are primarily concerned with maintaining orderly conditions and reducing the short-term systemic risks; short, sharp shocks are not desired. Therefore we have another establishment solution, a little modified (there will be no controversial doubling-up of the roles of chairman and chief executive this time) but fundamentally much the same.

Shareholders' response may be crucial. It is essentially they who have borne the costs of past failures. It is true that anybody who buys shares in a bank must accept the constraints that result from statutory regulation. Yet the Bank of England has powerful supervisory tools at its disposal: it can veto individuals, it imposes stringent capital requirements and it receives a voluminous stream of information about the risks being undertaken. The public also receives a degree of protection from the deposit insurance scheme. Given all this, the question is whether the Bank needs to don braces as well as a belt and interfere so much in the ownership of major banking institutions, shutting out important elements of the normal rough-and-tumble of the commercial world.

As they look at Midland's shrunken balance sheet and its halved dividend, shareholders may wonder whether the cost of modern banking regulation is being fairly apportioned.

As the chairman of Midland Bank is replaced, **David Lascelles** reports on the continuing saga of woe at the UK clearer

# Outsiders to the rescue — again

Midland Bank yesterday lived up to its rare ability to send shock waves to the furthest reaches of the UK banking industry. The combination of the first UK clearing bank dividend cut in 50 years and the replacement of the chairman by two outsiders – one of them from a rival bank – was heady stuff even for a time when bank losses have been packing the headlines.

For Midland, the UK's chronically troubled clearer, this will be its third attempted fresh start in 10 years. And if it fails it may well be its last. The City of London's banking climate is now fiercely unforgiving, and it is no surprise that the Bank of England was closely involved in bringing about yesterday's developments.

Sir Peter Walters, the former BP chairman who takes over in June, and Mr Brian Pearse, the finance director of Barclays who moves in promptly as chief executive on Friday, have an enormous task ahead of them. Midland is much the weakest of Britain's Big Four; its staff are deeply demoralised by the seemingly endless stream of bad news; and the recession is corroding the bank's very foundations. Last month, the share price hit a record low.

"A lot of things have gone right, but a lot of things have gone wrong," said Sir Kit McMahon, the bank's outgoing chief executive and chairman, in what seems an understatement of his bank's turbulent recent past.

It is a history that encompasses the disastrous acquisition of the US-based Crocker National Bank in the early 1980s which was supposed to launch Midland onto the international scene but collapsed with humiliating losses; the abortive engagement with the Hongkong Bank which was called off in December; and now a top level restructuring.

To these should be added other self-inflicted wounds which debilitated what was once, in the 1930s, the largest bank in the world: a £5bn portfolio of loans to the Third World, a badly mismatched treasury book which will cost Midland up to £250m before the positions close this year, and a tardy attempt to correct the bank's high cost structure.

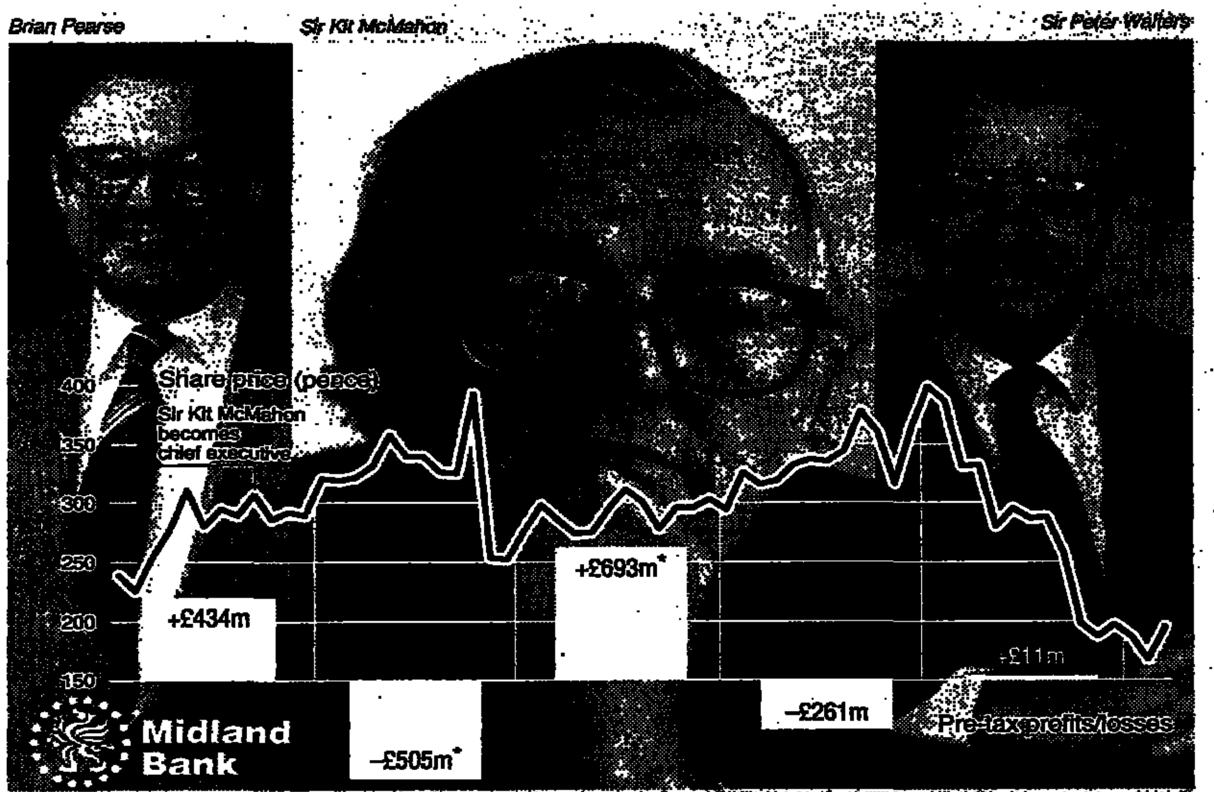
The fact that Sir Kit is leaving a year ahead of time suggests that his *board thinks that a new team is the* bank's best hope. His own five-year stint disappointed the expectations that were aroused when he left the deputy governorship of the Bank of England to take the job. In three of those years, shareholders took a loss.

Analysts have blamed his lack of managerial experience. But bad luck also intervened: the recession in the UK and elsewhere put paid to the Hongkong plans, and all but pushed the bank into the red last year.

Yesterday, Sir Kit analysed Midland's fundamental problems with his customary frankness: it had failed to generate enough earnings to build up its capital, he said, and its cost structure was too high. He hoped that the foundation had now been laid for progress on both those fronts, but the fact that his farewell set of results included the historic dividend cut must have been a bitter personal disappointment.

Sir Kit's original plan had been to build his own succession into the merger plan with the Hongkong Bank. The combined role of chairman and chief executive was plainly too much for one man and would have to be split up. He would become chairman of the merged group, and Mr Willie Purves, Hongkong's chairman, would be chief executive, aiming to succeed him in a year or two. But when the engagement was broken off, he had to re-think from scratch.

Sir Kit held discussions with his former colleagues at the Bank of England, and they identified Sir Peter Walters as a likely candidate. Sir Peter had previously been a member of the board of the National Westminster Bank, and a potential chairman



* Divisional breakdowns have been restated to reflect a change in capital allocation. Source: Datastream

there as well. He agreed to accept the Midland post.

The task of finding a chief executive was much more delicate since Sir Kit plainly did not think that any of his lieutenants were up to the job. Instead – again with the Bank's prompting – he focused on Mr Pearse as a man who fulfilled the requirement for a thoroughly experienced clearing banker with proven management skills.

But there is a powerful taboo on

**For Midland, the UK's chronically troubled clearer, this will be its third attempted fresh start in 10 years. And if it fails it may well be its last**

"poaching" among the upper echelons of the clearing banks, and Sir Kit felt unable to recruit Mr Pearse directly. Instead, he enlisted the good offices of Mr Robin Leigh-Pemberton, the Bank's governor, to negotiate directly with Sir John Quinton, Barclays' chairman. The approach caused deep shock at Barclays, and particularly with Mr Pearse himself. He says he and his wife spent five days thinking about it, and even then he would only accept provided he was able to retire from Barclays rather than resign, to remove any stigma of betrayal.

The whole process is an illuminating reflection of the way the City operates at times of stress. However it is also indicative of the way things have changed. In previous times strong banks were asked to take troubled banks under their wing. Now, in more competitive times when bank mergers are less well favoured, strong banks are asked to transplant their management skills.

The most striking point about Mr Pearse's arrival at Midland is that it still leaves at only two the number of top Midland executives with a clearing bank background.

The other is Mr Brian Goldthorpe – like Mr Pearse from the north of England – the deputy group chief executive, and a hardened troubleshooter with more than 40 years in the bank. The remaining top team were all put in place by Sir Kit and are still relatively young: Mr George Loudon, the Dutchman who heads Midland Montagu, the institutional banking side; Mr Richard Delbridge, the finance director recruited from Morgan Guaranty; and Mr Gene Lockhart, a former US management consultant who runs UK banking.

Mr Pearse's task will be to re-instil some clearing bank culture into the top management, a task for which he is well suited after a wide-ranging 40-year career at Barclays, most recently spent managing the bank's balance sheet. Along with his experience, the 57-year-old Mr Pearse brings an outgoing personality and a high degree of dynamism, both of which will be essential qualities.

Not surprisingly, the decision to go outside came as a painful blow to Sir Kit's colleagues, and it is believed that the Bank of England had to soothe bruised egos at Midland in order to win acceptance for the appointment there. All of the top management pledged their support publicly to the new appointees yesterday. But Mr Pearse will have to work to secure their personal loyalty. "I shall have to be careful," he said. "There are young executives of considerable ambition there."

Further down the bank, the

**The bank has proved a graveyard for several distinguished careers. Many in the City yesterday described Sir Peter and Mr Pearse as brave men**

appointment is likely to go down much better. The bank's rank and file had felt alienated by the top layer of management which was not only failing to solve the bank's problems, but also did not belong to the clearing bank culture. "Brian Pearse looks like one of us," said one staff member yesterday.

Mr Pearse was unwilling to discuss his plans for the bank yesterday, but the agenda is clear enough. Sir Peter and he will have to capitalise on the sense of new beginning which yesterday's announcements were intended to generate. Staff will need to be remotivated, and a clear strategy enunciated. Both men can be expected to devote a lot of time to touring the branches and rallying the troops.

But in practical terms, it is the bank's balance sheet and its profit and loss account that need the most urgent attention. Mr Lockhart has already made a start on bringing the group's costs down through a combination of much tightened controls and staff lay-offs (4,000 jobs are going).

A long-planned centralised processing system for cutting the cost of cheque handling is also being phased in. At the end of last year it was already handling three quarters of Midland's cheques; by the end of this year it be handling nearly all of them. Midland believes this system will make it a market leader in UK banking. But there is still a long way to go. Midland's ratio of costs to income last year was 76.3 per cent, compared to 65.7 per cent at Barclays and only 44.4 per cent at Abbey National.

At the same time, tighter central controls have been imposed on credit to minimise bad debts. The Third World portfolio has been reduced by £1.5bn through a programme of asset sales. On the deposit side there is a drive to win a greater share of the market and reduce funding costs.

A series of disposals of non-essential businesses is also under way. On Monday, Midland announced the sale of its French mortgage subsidiary to the Woolwich building society. And there have been persistent rumours of larger sell-offs in the pipeline.

It is only by generating more profits that Midland will be able to accumulate the capital it needs to strengthen its balance sheet. But with total assets shrinking by 5 per cent last year, Midland may also have to accept a smaller and more specialised role in the market. It has already been forced to withdraw from many overseas markets.

In the UK, it has the traditional strengths of a clearer with a large branch network in the country's high streets, and this will obviously form the core of the group. The question will be how many of Midland's other activities will rate as "core" businesses.

Midland Montagu, which handles institutional and international banking, has been rumoured as a possible *divestment. Last year it bore the* brunt of the difficulties with Midland's treasury book and with its company bad debts. But Midland Montagu's capital markets operations and Samuel Montagu, its merchant banking arm, both performed reasonably well given market conditions. Other important subsidiaries include Thomas Cook travel and Forward Trust leasing. Midland failed to find a buyer for Forward Trust last year, but both of these might also be offered for sale.

Midland would be vulnerable to a complete takeover in its current condition, but for the fact that there are at present no obvious bidders in the market. None of its peer group of UK clearing banks wants to assume the cost and responsibility of Midland's business, and few foreign banks are currently in a position to bid, even if the Bank of England were to give its assent.

This will give Sir Peter and Mr Pearse a much-needed breathing space to turn Midland round. They will be able to draw encouragement from the fact that a start has been made on its hitherto most intractable problems: costs are falling, the Third World debt burden is lightening and the treasury book mismatch has been hedged. There is also a prospect for further falls in UK interest rates.

But Midland has proved a graveyard for many distinguished careers, and failure by the new team to restore Midland's fortunes would expose it to the predators who are certain to emerge once conditions improve. There were plenty of people in the City yesterday who described Sir Peter and Mr Pearse as brave men.

# OBSERVER

## The real surprise

■ The real surprise in the Midland Bank boardroom is not the importing of Sir Peter Walters as non-executive chairman. It's that the group has had to recruit a senior clearing banker from arch-enemy, Barclays.

Brian Pearse is not even being asked to observe the usual quarantine period. At 57, he joins Midland with immediate effect, carrying with him all Barclays' strategic secrets. There could be no better indication of the severity of the problems he faces.

Midland Bank has stood out from its peers in being a heavy recruiter of top outside talent. Of the five most senior executives, only Brian Goldthorpe, the deputy chief executive who started with the bank in 1949, has been on its payroll more than five years. But until now Midland Bank's problem was not seen to be a shortage of traditional clearing bankers.

Aside from the deputy chief, the other obvious candidate for the topmost job was Gene Lockhart, the 41-year-old technology wizard. However, while Goldthorpe was considered too pedestrian, Lockhart was deemed too exciting.

As for external candidates, it would be surprising if a banker like Bruce Patullo, Bank of Scotland's 53-year-old chief executive, had not been considered. Lloyds Bank's Brian Pitman would have been another obvious quarry. But he would probably have insisted on Lloyds taking over Midland, which would have caused all sorts of monopolies and mergers commission problems.

With only two years left at Barclays, Pearse has little to lose by the move, except his reputation. An ex-Martins Bank man, he is one of the many Barclays footsoldiers who have marched alongside the various members of its founding families, always knowing they were unlikely to get a chance at the top job.

He first made his name in UK retail banking, then helped to save Barclays from losing its shirt in the US, and most recently he has been in charge of the balance sheet. His greatest asset is ability to motivate staff, which at the moment is Midland's prime need.

## Finding a chair

■ Although Sir Peter Walters appointment to the Midland Bank chair is less of a surprise, it does raise the issue of why a candidate could not have been found from within the existing board.

After all Midland has more than its fair share of respectable industrial heavyweights. The fact that Sir Peter apparently did not see eye to eye with some of his other directors at National Westminster Bank, when he was being considered for the chairmanship of that institution in 1989, suggests Midland's board was either very brave or under pressure from elsewhere.

Sir Peter's record as a manager at BP is impressive. He captained the UK's largest oil company through a period of turbulent change and yet knows how to delegate. Since missing out on the chairmanship of NatWest he has looked in need of an *important* job, and Midland fits the bill nicely.

Traditionally, Midland has always had a non-executive chairman. Sir Peter now has to show he is cast in the same mould as predecessors like Reginald McKenna, Viscount Monckton and Sir Archibald Forbes and once again make Midland a great British bank.

## Early days

■ The publicity surrounding Sir Kit McMahon's years as chairman has tended to obscure his previous 21-year

"We got the contract to repopulate the desert."

incarnation as a central banker.

Clever, popular and unstuffy, he was recruited into the Bank of England as an adviser in 1964, when the Old Lady was desperately trying to beef up her economics capabilities after criticism from the Radcliffe committee. He rose rapidly to become an executive director in 1970, and deputy governor to Gordon Richardson 10 years later. But he remained something of an outsider, and ultimately the governorship passed him by.

It was as deputy that he enjoyed the most dramatic moment of his career. It came when – with chief cashier David Somerset and a partner from the Bank's solicitors Freshfields – McMahon went to Algiers during the negotiations to release the American hostages in January 1981. The Bank was appointed escrow agent holding the funds against the transfer of which to Iran the hostages were released.

He was said to have relished this episode. But a less happy incident was the Johnson Matthey affair when the Bank's handling of the matter caused grave disquiet in the City. He weathered that storm, although not without later criticism that he had distanced himself from it perhaps too much.

His appointment to the Midland met with general approval in Threadneadle Street. "We felt that if anyone could clear up the mess, Kit could", recalls one of his former colleagues.

## Ex-gamekeepers

■ Merchant bankers may make good central bankers and vice versa. But do central bankers make good commercial bankers?

The question is inevitably raised by the Sir Kit McMahon's departure. Like Rodney Galpin over at Standard Chartered, he was parachuted in by the Bank of England to take charge of an institution which would be on the Bank's worry list, if it ever admitted having one.

There is a mystique about central bankers – a belief they know how to sort out problems which baffle others. So the appointments were not regarded as particularly unusual at the time. The Old Lady knew best, it seemed.

Nevertheless, there is no necessary reason why a central banker should be better than anybody else at running a big clearing bank. A central bank is a mixture of academic institution, nationalised industry and official regulator. Keeping an eye on the bottom line is not a prime item in a central bankers'training.

True, Robin Leigh-Pemberton, was a good chairman of National Westminster Bank, and has by most accounts acquitted himself well as Governor of the Bank of England. Sir Jeremy Morse, a former executive director of the Bank, has been an excellent chairman of Lloyds Bank. But then he has been assisted by a strong and able chief executive.

# A world of difference

## William Dawkins talks to Jacques Lesourne, the new boss of France's most distinguished daily newspaper

Mr Jacques Lesourne is an example of a breed as rare in France as it is elsewhere: the businessman-philosopher. He will need every ounce of his business sense, and lashings of philosophy, if he is to succeed in his new job as boss of Le Monde, France's most distinguished daily newspaper.

Mr Lesourne, a distinguished *economist and* former computer software consultant who two months ago became the first non-journalist to head Le Monde, is just begining to make his mark on this troubled and loss-making institution. His arrival marks the end of a serious leadership crisis at the newspaper. His mission: to sharpen up the business practices of a paper that has traditionally been run like a cross between a workers' co-operative and an Oxbridge college, while at the same time nurturing its *special culture*.

He is under no illusions about the enormity of the task. Redundancies must be made and costs curbed, he says. The paper needs to do more than produce regular annual profits (though Le Monde, in common with many of its competitors cannot even do that these days) to guarantee its future. It needs better *access to* capital. That means there must be a rethink of the staff shareholding structure, under which all journalists have a stake, a structure that has complicated past attempts by the paper to raise institutional funds. But at the same time, the journalists' independence, manifested in their right to veto board decisions, must be protected.

"It is a bit like running a consultancy again," said Mr Lesourne, 62, who started his business career with 17 years at the head of Sema, the Anglo-French computer services group. "It is full of grey matter, which must be kept autonomous, except the difference is that the company has both an advertising and an *industrial arm.*"

Le Monde has held a special place in French intellectual life ever since its birth in 1944, when General Charles de Gaulle asked the late Mr Hubert Beuve-Méry, the grandfather of post-war French journalism, to found a newspaper that would turn its back on the corruption and intellectual dishonesty of the pre-war French press.

Yet the early idealism has seemed far away over the past year, with the paper's journalists locked in political battles *over who would succeed* Mr André Fontaine, the former director who retired in January. The journalists' choice was Mr Daniel Vernet, then managing editor. But in the end, the non-journalist shareholders – a *mixture of* supportive readers and industrial companies – rejected him on the grounds that someone with business experience was needed to lead Le Monde out of its financial difficulties.

Le Monde has taken on the extra costs of moving to its futuristic new headquarters and opening a new print plant at the worst *possible moment.* The advertising downturn, and the paper's debt burden, last year wiped out the paper's profits. It is unlikely to return to the black until 1992.

What was needed was a leader who could straddle the two worlds of journalism and management. Mr Fontaine approached Mr Lesourne, one of the few men in France who seems to fit that description, just as the latter was settling down to write a book for the summer holidays.


Lesourne: rare breed

Mr Lesourne received the offer with understandable surprise, dismissed it as unlikely while he finished his book, then accepted it with even more surprise when it became *clear that Mr Vernet's* candidature would fail. He had just a few weeks to sound out small groups of *Le Monde* journalists, a careful and diplomatic approach which has won plaudits from the staff.

**Le Monde**

Mr Lesourne is a typically multi-talented product of the French élite. Apart from his business experience, he is a skilled pianist, has written 19 books on economics and international politics and held down an economics professorship at a respected Parisian university for 17 years.

*His animated conversation* shifts across a field as wide as Mr Lesourne's own life; from the *crisis* of the French national identity in end-of-century Europe, through the brain drain from the Maghreb, to the rental market for industrial property. He reveals himself as a keen European and a tough manager. He is also a fierce defender of the independent line which Le Monde has pursued – with only the odd kink – since its foundation.

Mr Lesourne will take a tougher grip on Le Monde's business management than his four predecessors; soon after his arrival, the cover price rose. But he has also already shown that he cannot resist the temptation to steep himself in journalism almost as much as the bosses who went before.

To be editor and chief executive at the same time is unheard of in Anglo-Saxon newspapers. But it is an immutable part of Le Monde's tradition, and unsurprising given the usual French practice of giving the top person in a company the job of both president and managing director.

*Mr Lesourne says he might* write the odd economics piece – implying that he will not appear as regularly as Mr Fontaine. Yet he will have a big contribution to make to debate on the issues of the day.

One of his big priorities will be to encourage journalists to deepen their analysis and broaden the context in which they view events. "If there is a weakness, we need to take the larger view more often," he says.

He is also pre-occupied with tensions between the developing *world and* the west. "In the next 10 years, I expect the place of the Third World to be much more important in our coverage," he says. Cynics used to tease Le Tiers Monde in the 1970s for its obsession with the developing world, especially with France's former interests in North Africa. But Mr Lesourne worries that it may have subsequently gone too far in the other direction; he has just reopened an office in Bangkok after seven years.

"There will be a revolution among the middle classes in the Third World, who will increasingly move to Europe. Already we are seeing a brain drain from North Africa into France. How Europe is going to react will be *another big* question," he says.

Within France, a debate on immigration and national identity has been under way for years, visible on the fringes of politics in the success of the extreme right National Front. Mr Lesourne believes the identity of the French state will be a vitally important question for *Le Monde* in the decade to come. He wonders how far the French tradition of the state as protector and provider will survive the growing integration of Europe.

"*What will it mean to be* French in the year 2000? The French believe that French thought is universal. Can we be universal and French at the same time?"

*Mr Lesourne fiercely* rejects suggestions that Le Monde has drifted towards the government line in recent years. "The government is increasingly irritated by our positions," he maintains with satisfaction.

The problem is that it has become increasing hard to distinguish between the policies of government and opposition since the end of the Socialists' experiment with economic and industrial interventionism in 1981-1983. This might explain why personality battles have become the dominant feature of centre-ground French politics, adds Mr Lesourne.

Clearly, Le Monde has not just swapped a journalist for a single-minded manager as its new leader. He will have to *strike a fine balance if he is to* keep a firm hand on the business while at the same time giving a free hand to Le Monde's fragile intellectual culture.

## Edward Mortimer

# The Iraqis deserve better

## The west should resist the temptation to foster another strongman in Baghdad

*FOREIGN AFFAIRS*

These are *certainly decisive* days for the future of Iraq.

It is very difficult to get a clear idea of what is going on from outside the country, and probably even more difficult for most people *inside*, given the disruption of communications caused by the allied bombing and now by the allies' occupation of part of the south. But it sounds as if there is an insurrection, accompanied by heavy fighting, in most of the southern cities where the mass of the Shia Moslems – the majority community in the country – *lives*.

In the northern mountains, Kurdish nationalists claim to have surrounded the city of Sulaimaniya, though as of yesterday they had not confirmed the claim to have occupied it, made on their behalf by the spokesman of another opposition group in Iran.

Yet in Baghdad, the only place where there are reporters from the international media, there had up to yesterday been no visible sign that the government's authority was being questioned. It was able to send representatives to the south to negotiate with allied commanders last Sunday – although admittedly it took them 24 hours longer than originally planned to get there – and to *begin implementing the agreements* reached there, with the release of 10 allied prisoners on Monday.

Everyone must be a little surprised at the co-operative *attitude* the regime is now displaying, after so much bombastic intransigence before the fighting started and even, until the very last days, while it was going on. There is a grotesque contrast between the absurd claims of victory still pouring out of Radio Baghdad and the abject eagerness of the government to comply with all the conditions imposed by the allies for a permanent ceasefire. President Saddam Hussein is clearly not pursuing the strategy which many of us most feared, of deliberately provoking the allies into a war deep inside Iraq.

Evidently he does not relish the prospect of returning to the clandestine existence he led, in rather easier circumstances, before 1968. He has made a lot of enemies inside and outside Iraq since then. For all his rhetoric, he is not the leader of a revolutionary mass movement. *He is the head of a highly-organised police state,* and his only real hope of survival is to maintain himself in that position. He has realised belatedly that a deal with the allies, no matter how humiliating, is the one chance he still has of doing that.

Appallingly enough, the allies are close to concluding that such a deal might be in their interests too. Of course they would still prefer a leader with another face and name. Dealing again with Mr Saddam personally, after all that has been said about him, would be awkward and embarrassing. But in practice it may not make all that much difference. For external purposes, Mr Saddam's teeth have been drawn, *and he might even be more* amenable to external pressure than another leader, precisely because there are so many outstanding claims and grudges against him. Internally, of course, his teeth will still draw blood (they are doing so even as I write), but another leader from the same stable would not necessarily be any milder.

In any case, concern for the human rights of individuals in Iraq has never been at the top of the allied agenda. Rulers of other Arab countries, with the exception of Syria, would prefer power in Iraq to remain in the hands of the Sunni Arab minority, which has dominated successive Iraqi regimes since the state was set up in 1921, rather than see it pass to the Shia majority. The fact that the only political movements and leaders so far named in connection with the uprising (if such it is) in the south are Islamic ones closely connected with Iran will have done nothing to endear it to these other Arab rulers, who must now be suddenly remembering why it was that they supported Mr Saddam *for so long. The last* thing they want to see in Iraq is a pro-Iranian Shia theocracy.

News of a Kurdish rising in the north will have a similar effect on the rulers of Turkey: the last thing *they* want to see is an independent Kurdish state, which would inevitably be an inspiration to Kurdish separatists on their side of the border. As *for* western policy-makers, not only are they anxious to avoid upsetting their Turkish allies. They also fear, understandably, that Iraq could turn into another Lebanon, with different parts of the country controlled by different communal factions: a lethal chessboard on which neighbouring powers would confront each other, using local militias *as pawns. Indeed, many* western experts seem close to accepting the Ba'athist premise that Iraq is a country which can only be held together by a tough, centralised and more or *less* dictatorial regime.

**Many western experts seem close to accepting the Ba'athist premise that Iraq can only be held together by a tough, centralised and dictatorial regime. This is a recipe for instability and violence**

Yet it is precisely that recipe that has brought Iraq to its present pitiful state. It is a recipe for insecure governments, which assume disloyalty and conspiracy are at the root of all their problems at home and abroad, and which turn instinctively to violence and intimidation as the first instruments of their policy. If the Sunni Arab minority, led by Saddam or not, is now encouraged once again to use its control of the armed forces to perpetuate its hold on power, the result can only be to condemn Iraq, and its neighbours, to further decades of instability and bloodshed.

We have no right to assume that Iraqis are incapable of anything better. The Kurdish *leaders, in spite of their justified* resentment of the fact that their people, divided among four Middle Eastern states (or five if we count the Soviet Union) has never been allowed the right of self-determination, have consistently adopted the slogan of "an autonomous Kurdistan in a democratic Iraq".

The Shia leaders too have been persuaded, since the failure of their people to rise in support of Iran during the Iran-Iraq war, that Iraq is too complex and heterogeneous a society for its problems to be solved by an Islamic revolution on the Iranian model.

Kurds and Shias came together last December, and have been joined by secular and liberal opponents of Saddam Hussein's regime including some dissident Sunni officers, on a platform that calls for human rights and democracy. The allies, in their own interests as well as those of Iraq, should encourage them to stick to this platform, and to each other.

Such a programme for Iraq may sound utopian. Yet the conditions that make democracy work may be closer to being fulfilled in Iraq than in any other Arab country. As a pseudonymous Iraqi economist pointed out on this page two days ago, Iraq is a rich country not only in oil but in other natural and above all human resources, with a literate population and a highly-educated *élite*.

It is also rich, too rich, in experience of where extremist politics can lead. The revolution of 1958, greeted with enthusiasm at the time by most sections of the population, was accompanied by an orgy of violence and led to a series of military regimes, each resting on a narrower base of support than the last and culminating in Saddam's dictatorship. Iraq's political class is haunted by that memory, as Spain's under Franco was by the memory of the civil war. Admittedly Franco was a very enlightened dictator compared to Saddam, but even under Saddam the country did develop, especially before he began his gross misdirection of its resources into aggression against other states. The Iraqi people now must be in many ways more sophisticated than they were in 1958. They deserve another chance.

# *LETTERS*

## Assurance on ethical questions in business research

*From Mr Robin Wensley.*

Sir, The comments by Simon Holberton ("Unanswered Ethical Questions", February 28) seem to imply a widespread lack of concern among business schools about ethical issues as a whole and the funding of research more specifically. While there are clearly critical distinctions between consultancy and research, it is too simple to assume that research funded by research councils is 'good' while that funded by companies is 'bad'.

At Warwick Business School, which currently receives around 40 per cent of *its* research funding from research councils, we nevertheless also have in operation two very successful subscription 'clubs' supporting the Centre for Corporate Strategy and Change and the Financial Options Research Centre. Neither of these clubs has significantly influenced either the publication of our research, beyond the common concerns about confidentiality for both individuals and organisations, or the extent to which we take a critical and evaluative view of practice.

For many schools, like Warwick, it is also hardly novel to *suggest that they should evaluate* academic staff on teaching, research and participation in school activities.

Simon Holberton confuses a real issue with a particular funding mechanism. As his own example of John Kay indicates, it is the potential misuse of the name of an individual academic that is the problem rather than the role of research subscription clubs. To confuse the two is rather like arguing against boards of directors because of the occasional misuse of the external status of non-executive directors.

Robin Wensley,
*chairman,*
*Warwick Business School,*
*Coventry, Warwickshire*

*From Professor Howard Newby*

Sir, I was puzzled as to why Simon Holberton, in his article "Unanswered ethical questions", suggests that it is necessary to create another funding body exclusively for business research.

The article recognises that the Economic and Social Research Council is a source of independent funds for social science research of the highest quality which, of course, includes business research.

The ESRC is already committed to working with business and is happy to consider the *joint* funding of high-quality research. Necessarily, any research we fund must – and will be – disinterested.

*Prof Howard Newby,*
*chairman,*
*Economic and Social Research Council,*
*Cherry Orchard East,*
*Kembrey Park, Swindon*

## Lottery factors in TV contracts

From Mr W.L.King.

Sir, You report ("TV chief warns franchise round could be disastrous", February 27) the view of Mr Greg Dyke, managing director of London Weekend Television, that there is a danger of television franchises going to whichever company takes the most optimistic view of the market and bids high on that basis.

Apart from the rogue low-bidder coming through to win on the basis of exceptional circumstances, provided for in the Broadcasting Act (which is not really what Mr Dyke was referring to), there is also a potential financial sieve or exclusion.

The *Independent* Television Commission must not consider bids unless the bidder will and can comply with certain requirements (including a commitment to screen high quality programmes), throughout the licence period.

For this purpose, the ITC will be checking the financial foundations underlying applications to see that they are realistic; the ITC will be taking a merchant bank's advice for this purpose. Bidders who are too optimistic will thus be excluded.

This all *adds* to the *lottery* factor. Applicants will have to make assumptions and prepare financial forecasts which get through the above vetting procedure, *so they* must not be too optimistic. But they must seek to outbid their unidentified rivals.

W.L. King,
*Macfarlanes,*
*10 Norwich Street, EC4*

## Make SIB deadlines easier to meet

*From Mr R Wells.*

Sir, The chairman of the SIB, Sir David Walker, has made a plea to his critics to be "more specific" when commenting on the regulatory shake-up over which he is presiding.

As a lawyer attempting to advise on the regulatory structure, *let* me be specific. The SIB core rules were issued in draft form in the summer of 1990 and comments were invited by mid-October.

These rules, however, are of little use to practitioners on their own because they need to be read in conjunction with the detailed "third tier rules" to be made by the various SROs. Some SROs have still to publish their third tier rules, but just before Christmas the *Investment Managers* Regulatory Organisation (Imro) duly published its offer in two volumes (600 pages), carefully based on the SIB core rules, inviting comments by the end of February.

At the beginning of February, however, the SIB, in a fanfare of self-congratulation, published its core rules in their final form. What the SIB did not say was that the core rules had been substantially revised, thus rendering almost unintelligible third tier detail in some important areas (such as polarisation and Peps).

Now Imro sends its members two vital consultative documents demanding comments by March 28.

Throughout the financial services industry I meet people who are throwing up their hands in horror as they try to meet deadlines imposed on the industry by the SIB while the SIB itself moves the goal posts during the game.

No, Sir David, that is not "generalised whingeing" – it is a plea for a more realistic attitude to the problems of securing compliance when resources within the industry are not limitless.

R Wells,
*5 Park Road, Lewes, E Sussex*

## Advice for the bank manager

*From Mr Colin Clark.*

Sir, Anthony Harris, in the penultimate paragraph of his column ("Excess of good manners on the south coast", March 4), implies that the involvement of banks in the management of troubled companies would be beneficial.

In the light of the results currently being reported by the banks, could he enlighten us as to why they can run other people's companies better than their own?

Colin P Clark,
*CLK Metals,*
*Royal Mint Level,*
*Europe House,*
*World Trade Centre, E1*

## Separate deals on pay and hours at W.H. Smith

*From Mr Jeremy Windust.*

Sir, In an employment page article "W.H. Smith agrees 8.3 per cent pay rise" (February 28), the writer reported on two issues with which my union, the RBA retail book association, has been in negotiation and consultation with W.H. Smith.

These two separate issues – the annual pay review and cuts in hours which the company has concluded are necessary in light of the recession – have been reported as a "pay and productivity *deal*". However, the 8.3 per cent pay offer was put to our members quite independently of any question of cuts in hours, and, indeed, the pay deal covers large numbers of staff: for instance, department managers, for whom cuts in hours did not apply.

The term "pay and productivity deal" clearly implies that the pay offer was linked with *cuts in hours, which was not* the case.

Second, it was reported that the so-called agreed cuts in working hours will last for a year. In fact, the company told the RBA that the cuts would be reviewed after four months, and staff have been asked to agree to temporary reductions in hours over that initial period.

Detailed agreements are being reached on implementing these reductions on a branch by branch basis, and it is our hope that cuts can be restored at the earliest opportunity.

Jeremy Windust,
*general secretary,*
*RBA, 8-9 Commercial Road,*
*Swindon*

FINANCIAL TIMES
Wednesday March 6 1991



# Brady's bank reform plans come under fire

## Some of the more far-reaching ideas may be watered down, writes Peter Riddell

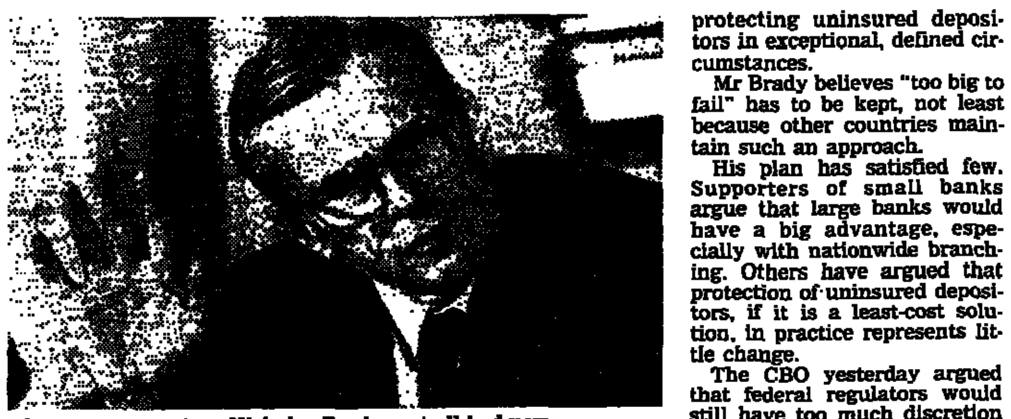
MR Nicholas Brady, US treasury secretary, always knew that to propose far-reaching changes to the US banking system would invite criticism from the myriad of affected bodies.

So it has proved. After an interval while the telephone directory-size report was digested, there has been a flurry of critical comment in the past week as Mr Brady has testified before the Senate and House Banking committees and all and sundry have offered their view.

Yet it is not all bad news for Mr Brady. The comments of congressmen showed widespread support for the principle of reform, more strongly expressed in the Senate than in the House. There was backing for stronger supervision and earlier intervention with troubled banks, as well as some limited changes in bank structure.

The greatest support is for a proposal which would allow banks to operate across state lines. At present, bank holding companies can own subsidiaries in several states (with a handful of exceptions), but they have to be separately capitalised.

Mr Brady has said nationwide branching is the priority – often claiming that it could save as much as $10bn, compared with current annual bank profits of $25bn, while providing considerable benefits to consumers.



US treasury secretary Nicholas Brady: not all bad news

This proposal has also been backed by congressional watchdogs such as the General Accounting Office (GAO), although with expansion limited just to financially strong banks, and the Congressional Budget Office (CBO).

However, Mr Brady still faces considerable scepticism from congressmen from small towns and rural areas worried that big national groups will gobble up local community banks.

These doubts may lead to amendments requiring the approval of state regulators.

There was much less support on the committees for allowing commercial groups to own banks (also opposed by both the CBO and GAO) and for breaking down the barriers between commercial banking and other financial services, which the administration seems to regard as a lower priority.

The main immediate focus is on reform of deposit insurance – both the short-term recapitalisation of the bank insurance fund and changing the insurance system.

The Treasury proposed a compromise, reining back the federal guarantee to $100,000 per depositor per bank for the time being, while retaining the "too big to fail" approach of protecting uninsured depositors in exceptional, defined circumstances.

Mr Brady believes "too big to fail" has to be kept, not least because other countries maintain such an approach.

His plan has satisfied few. Supporters of small banks argue that large banks would have a big advantage, especially with nationwide branching. Others have argued that protection of uninsured depositors, if it is a least-cost solution, in practice represents little change.

The CBO yesterday argued that federal regulators would still have too much discretion in protecting large banks, saying it might be preferable to accept a small risk of Contagious runs on banks in exchange for the benefits of greater market discipline.

However, the GAO has said that "due to the current stresses in the banking system it does not believe that placing all uninsured depositors at greater risk (by cutting back insurance coverage) is wise at this time."

A further controversy has developed over the Treasury's plan to cut the number of federal regulators from four to two, taking regulatory work away from the Federal Deposit Insurance Corporation and limiting the Fed's role to supervising holding companies in which the main bank is state chartered. At present the Fed regulates all bank holding companies, covering 90 per cent of all US bank assets and most international transactions. But under the plan, the Fed would lose its regulatory authority over federally chartered banks although it would still supervise state-chartered banks such as Bankers Trust, Chemical and Morgan Guaranty.

A new Treasury agency would supervise companies where the main bank is federally chartered, such as Citibank and Bank America.

The Fed strongly opposes this provision, arguing that such a change would undermine its operation of monetary policy and its ability to handle shocks to the financial system.

Such specific criticisms may undermine the general thrust of reform, especially as the detailed legislative package, promised by the end of February, has not yet appeared.

Some banking legislation will almost certainly pass this year – in spite of serious divisions and lack of clear leadership on the House Banking committee. But the odds are that Mr Brady will have to accept the deferment, or substantial watering down, of some of his more far-reaching ideas for changing US banking.

### BRITAIN'S AIRPORTS

# Heathrow opened up to all airlines

By Paul Betts, Aerospace Correspondent, in London

THE BRITISH government threw open Heathrow airport to all airlines yesterday in the biggest overhaul of UK civil aviation since the privatisation of British Airways four years ago.

The decision is expected to intensify competition at the world's largest international passenger airport and underpins the government's commitment to liberalise air transport.

However, the move is also likely to spark controversy both within the government's own ranks and in the UK aviation industry.

British Airways, which is expected to face heavier competition from international carriers and domestic airlines, has always opposed the opening up of Heathrow, its main operating base. Its shares fell 8p to 165p yesterday

Mr Richard Branson, chairman of Virgin Atlantic, the Gatwick-based long-distance airline, last night described the decision as "a triumph for fair competition and marks the start of a new phase in UK aviation history".

Until yesterday, only airlines which had operated services at Heathrow before 1977 were allowed to use London's leading airport.

The decision, announced in the House of Commons by Mr Malcolm Rifkind, transport secretary, also clears the way for an agreement between the US and the UK on a bilateral air service accord between the two countries.

This would enable Pan American and Trans World Airlines, the two financially-strapped US carriers, to transfer their Heathrow route rights to United and American Airlines respectively.

UK and US transport officials will resume negotiations on an agreement tomorrow in Washington. The US is expected to make several concessions to open access of its domestic market to UK carriers to enable agreement to be finally reached between the two countries.

The Civil Aviation Authority recommended in January the scrapping of the four air traffic rules in south-east England.

Mr Rifkind yesterday accepted the CAA's advice on three of them.

His decision abolishes all restrictions on new operators of international airline services, charter flights and domestic services at Heathrow and Gatwick. But he has kept the restrictions on business jets and all cargo flights at the two airports.

However, Mr Rifkind emphasised that his decision did not give new airlines automatic access to Heathrow, one of the world's most congested airports. He said airlines would have to seek take-off and landing slots at Heathrow through the existing airport scheduling committee.

"As there is already almost full utilisation of Heathrow's capacity, the net effect of abolition of the traffic distribution rules will be modest," Mr Rifkind said. But over time, the decision is likely to lead to a higher proportion of long distance airline services at Heathrow with an increasing number of short haul services being diverted to Gatwick or the new Stansted airport.

The government is reviewing slot allocation procedures and may consider introducing changes to encourage competition.

Opponents of the government's policy have argued that abolition of the rules would undermine Gatwick and Stansted and lead to even greater congestion at Heathrow. The government has come under intense lobbying from Conservative MPs in constituencies close to the three airports to maintain the status quo.

# W German stores buy Centrum retail chain

By Katharine Campbell in Frankfurt

THE SALE of east Germany's largest department store chain, Centrum, has finally been completed after almost a year of tough negotiations, with the 14 stores parcelled out between the three big west German houses: Karstadt, Kaufhof and Hertie.

This gives the western groups a major foothold in the east, even if the buildings are much in need of renovation, the staff of retraining and the relatively poor east German citizens more inclined to spend in discount retailers for a while to come.

The stores had hoped to complete the Centrum deal well before the lucrative Christmas season, but complications over property rights, competing claims between the west Germans, and the slow-moving bureaucracy at the Treuhand privatisation agency impeded the process.

The presence of Mr Jens Odewald, Kaufhof chief executive, as supervisory board chairman of the Treuhand, former East German goverment body overseeing privatisation, apparently fuelled acrimony between the players.

The Treuhand said yesterday that the three stores taken together planned investments of DM165m ($109m) in the short-term, and about DM600m over a longer period. The 9,200 jobs at the Centrums around the country remain secure. No figures were available concerning the price of the acquisitions.

Karstadt, the largest of the west German department stores, is acquiring six Centrum locations, including Dresden, Halle, Leipzig and Magdeburg, some of which belonged to Karstadt before the second world war. It takes on 4,200 staff, space of 50,400 square metres, and a turnover in the second half of 1990 estimated at DM355m.

Kaufhof, which had no properties in the area before the war, has bought stores in five towns, including Berlin and Rostock, and two properties in Chemnitz. With another location in Berlin bought a few weeks ago, Kaufhof has nearly as large an operation – floor space of 50,000 square metres and 4,000 new employees.

The smaller Hertie has just three Centrum stores but has already acquired another seven outlets including four medium-priced clothes shops in east Berlin.

All the stores have engaged in co-operation agreements with various parts of the Centrum chain for some while, which have included deliveries of western goods, staff retraining and furnishing technical knowhow. Karstadt had delivered DM365m worth of goods since currency union last July.

# Congress pressed on trade talks extension

By Nancy Dunne in Washington

US PRESIDENT George Bush yesterday urged Congress to give him renewed "fast-track" authority to negotiate international trade agreements.

In an attempt to translate some of his surging post-Gulf war popularity into clout with Congress, the president insisted that fast-track was necessary for completing the Uruguay Round talks on liberalising world trade and for launching North American free trade talks.

With fast-track authority, the president can submit a trade agreement for approval to Congress, which must vote on the entire package without altering or amending it. The current authority expires June 1. Mr Bush wants a two-year extension.

"I know we're facing a tough fight on this in the Congress," he told a gathering of business leaders yesterday.

But he said a vote against fast-track would be a vote against vibrant international trade and that "it would be a shame to see special interests in this country gun down fast-track."

Efforts by the administration to conciliate opponents of the Uruguay Round have begun to show signs of splitting the strong coalition against extension.

However, forces against the extension include environmentalists, farmers, consumer, church groups, textile and apparel manufacturers and labour. Their opposition is directed at the Uruguay Round, the proposed North American free trade agreement with Canada and Mexico, or both.

Environmental, consumer and church groups have sent letters to every member of Congress warning that the fast-track extension could eviscerate "hard-fought gains" in US environmental, consumer, worker protection laws and other domestic programmes. Trade agreements could nullify many US safety or environmental standards by classifying them as nontariff trade barriers, they say.

Some environmentalists have begun to reconsider their opposition to fast-track in the hope that the administration will agree to include their concerns in the North American trade talks. They were also swayed by inclusion in the fast-track request of the administration's Enterprises for the Americas initiative, which includes debt-for-nature swaps.

The administration's confidence over the renewal of its fast-track was shaken in November when, in an indication of Congressional dissatisfaction with the progress of the Uruguay Round, 37 senators signed a resolution to withdraw the authority.

Opposition to the proposed North American talks now threatens to derail both sets of talks and with them the administration's entire trade policy.

Fast-track opponents are expected to wait as long as possible to bring the issue to a vote in hopes that the euphoria over the Allied victory in the Gulf will have faded beneath concerns about the economy.

# UK plans big telecom changes

Continued from Page 1

ous figure was 4.5 per cent.

In addition, British Telecom, which controls 95 per cent of the UK market, has agreed to reduce the cost of international calls by 10 per cent, probably by June this year.

However for the moment the duopoly will remain in place for international services.

BT is to be allowed to introduce discounts for large users. The company will also be permitted to increase the price of rental and connection charges for businesses with more than one line at a higher rate than before.

A scheme to help about 2m low users is to be created. The scheme will be particularly directed at the elderly and infirm.

# Gorbachev pledges backing on Gulf

Continued from Page 1

brighter than for some time.

"We are agreed that all members of the permanent five (in the Security Council) must continue to work together to ensure we find a satisfactory conclusion," he said.

"Our first agreed conclusion was that we had to take into account first and foremost the views of the states in the region, so that we might meet their concerns.

"In that context, I did not see a standing British or western army (remaining in the Gulf). It is entirely possible that the Arabs themselves might have their own standing army."

Mr Major said both sides also agreed that it was desirable that there should be "restraint in exports" of nuclear, chemical and biological weapons to the region, and "caution" in the export of conventional weapons. He received no Soviet guarantee that it would not re-equip the Iraqi armed forces after their devastating defeat, however.

The Anglo-Soviet agenda also included British concerns over the slow progress in the conventional forces disarmament agreeement in Vienna and, in particular, the Soviet move to reclassify army divisions as naval units. On that issue, Mr Major said he had a "most useful exchange" with Marshal Dmitri Yazov, the Soviet defence minister, but gave no hint of concessions.

Similarly, Mr Major gave no real idea about whether he was persuaded by Mr Gorbachev's continued commitment to economic reform, on which progress seems to have slowed drastically in the face of accelerating economic collapse.

Earlier in the day he met Soviet radicals, including Mr Anatoly Sobchak, the major of Leningrad, and Mr Boris Fyodorov, the former Russian finance minister, who argued that reforms had been stalled. Mr Fyodorov said the central government had no macro-economic reform plan, and no understanding at all of monetary policy – a subject close to Mr Major's heart.

The prime minister in turn expressed his conviction that private property, and private land ownership, were essential steps towards a market economy, although Mr Gorbachev is known to be ideologically opposed to outright private land ownership.

## THE LEX COLUMN

# Midland takes its medicine

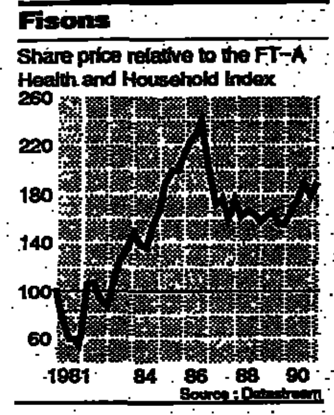
The departure of Midland Bank's chairman and the halving of its annual dividend have undoubted symbolic force. Indeed, the world of the UK clearing banker may never be quite the same again. The response by the British financial establishment has been in one sense traditional: to instal a couple of heavyweights from elsewhere in its ranks and leave Midland to dig itself out of its hole. The alternative approach, that of rescue by takeover, looks more remote than ever. From this viewpoint, it is the more welcome that Midland should have been seen to pay for its mistakes like any other organisation.

While the dividend cut was more than justified by the trading performance, it leaves a nasty hole in future policy. There is no saying how much profit Midland will make this year. The outlook for its core UK business is so bleak that bad debts may well increase again. It may be that the gradual unwinding of its treasury mismatch, an improving LDC debt position and the continuing profitability of Midland Montagu will allow some modest recovery in this year's profits. But the possibility of a further cut in dividend cannot absolutely be ruled out either.

That said, there is a sense of clearing the decks about yesterday's results. The tax provisions and ACT write-off leave room for significant tax relief on future profits. Work on the cost base, while it still has a long way to go, is at last yielding results. But there will be no real basis for valuing the shares until the new board makes its decision on the next interim payment. The most that can be said in the meantime is that an historic yield of 6.4 per cent makes Midland look curiously expensive as a recovery play compared with 7.0 per cent from NatWest. And after all, NatWest's chairman last week made precisely the point illustrated in different fashion by Midland yesterday: that the chairman of a UK clearer is running a business as well as a bank.

### UK Telecoms

Yesterday's government statement on the future of the UK telecoms industry is no bad news for British Telecom's profitability, at least in the short run. Competition may indeed hot up eventually, but BT has got at least part of what it has been gunning for out of the policy. Meanwhile, it is sitting on an industry which is still growing despite the recession, and there is plenty of scope to cut costs.




The main elements of last November's preliminary proposals are intact: the ending of the duopoly, the relaxation of restrictions on cable companies and the principle of equal access. But BT must be delighted to have won so much of the argument on cross-subsidies and price flexibility, even if a full review must wait until after the next general election. While bringing down the cost of international calls and attacking one of Mercury's main attractions, BT will be free to push up the price of line rentals and possibly of local calls as well. If its shares respond favourably today, BT will only be reaping the reward for doing a fair job of protecting its shareholders' interests. The regulator will need to prove that consumers are to be protected as well.

### Airline policy

Judging by the early signs from the market, British Airways and BAA look set to be the main losers from an open door policy at Heathrow. Certainly BAA, which shed a penny to 419p yesterday, can hardly relish the prospect of potential customers for Stansted switching their affections elsewhere. Conclusions about BA, though, which lost 5 per cent of its value against the market trend, may be a little premature. After all, the Government may have issued an invitation to all comers at Heathrow. It has yet to explain how they will all be accommodated.

Moreover, while BA's slots will no doubt continue to be the envy of its rivals, Lord King can be relied upon to fight tooth and nail to retain his airline's privileged position. He will cite commitments in the prospectus and argue that Europe's mega-carriers – BA's real competitors – are not under any serious pressure to give ground in their domestic markets. Here he certainly has a point. With the EC's liberalisation programme running out of steam, Air France and Lufthansa have been allowed to get away with excessive concentration at home. Perhaps in the current dismal trading climate, BA's shareholders should simply hope for an all-out auction at Heathrow. Those BA slots would probably be the most valuable asset in its balance sheet.

### Fisons

Putting yesterday's full year figures from Fisons alongside those of Glaxo last week, the thought occurs that one or other stock must be wrongly priced. Fisons has just produced a rate of earnings growth more than double Glaxo's and may do the same this year. Thereafter, a company as small as Fisons need only produce a worthwhile drug every five years or so to maintain momentum, while Glaxo needs a continuous stream of blockbusters. Yet Fisons' shares are on 14 times this year's earnings, Glaxo's on 17 times.

Part of the problem is Fisons' well-known dependence on financial engineering: the 22 per cent tax charge, the £0.9m net profit on £116m of net debt. But the trick of borrowing in dollars to make deposits in sterling, for instance, was copied by Glaxo for the first time last year. And while such earnings are obviously worth less than those from prescription drugs or scientific equipment, Fisons shows a remarkable knack for repeating them.

It is also undeniable that on paper at any rate, Fisons' tiny £70m R&D budget looks remarkably productive: not only treatments for asthma and epilepsy, but such modish potential best-sellers as an ACE-inhibitor heart drug and a proton pump inhibitor for ulcers. Financing these drugs through development and marketing is, of course, another matter. But the scientific equipment division is there at least partly to smooth earnings through the bumpy patches. Failing that, a merger on the right terms would do shareholders no harm. As for the Glaxo comparison, one hesitates to call the turn on Glaxo even after the further 5 per cent surge in its shares yesterday. It could just be that Fisons is cheap.



## WORLDWIDE WEATHER

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 17 | 63 | Berlin | F | 8 | 46 | Caracas | F | 34 | 93 | Faro | R | 15 | 59 | Islamabad | F | 23 | 73 |
| Algiers | S | 20 | 68 | Biarritz | C | 15 | 59 | Casablanca | C | 17 | 63 | Florence | S | 17 | 63 | Istanbul | F | 5 | 41 |
| Amsterdam | R | 10 | 50 | Bombay | S | 28 | 82 | Chicago | S | -2 | 28 | Frankfurt | R | 7 | 45 | Jakarta | C | 32 | 90 |
| Athens | S | 11 | 52 | Bordeaux | C | 14 | 57 | Cologne | R | 7 | 45 | Geneva | C | 9 | 48 | Jersey | C | 8 | 46 |
| Bahrain | - | - | - | Boulogne | R | 11 | 52 | Copenhagen | F | 3 | 37 | Gibraltar | F | 16 | 61 | Johannesburg | F | 25 | 77 |
| Bangkok | F | 34 | 93 | Brussels | C | 12 | 54 | Corfu | S | 14 | 57 | Glasgow | F | 10 | 50 | Lima | C | 25 | 77 |
| Barcelona | C | 13 | 55 | Budapest | F | 5 | 41 | Dallas | S | 9 | 48 | Helsinki | C | 0 | 32 | Lisbon | R | 12 | 54 |
| Beirut | - | - | - | Buenos Aires | F | 29 | 84 | Dublin | F | 12 | 54 | Hong Kong | C | 21 | 70 | London | F | 11 | 52 |
| Belfast | F | 10 | 50 | Cairo | C | 13 | 55 | Dubrovnik | S | 14 | 57 | Innsbruck | S | 14 | 57 | Los Angeles | F | 13 | 55 |
| Belgrade | S | 15 | 59 | Cape Town | S | 22 | 72 | Edinburgh | S | 9 | 48 | Inverness | F | 12 | 54 | Luxembourg | C | 10 | 50 |

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Madeira | R | 17 | 63 | Milan | C | 11 | 52 | Nicosia | F | 14 | 57 | Salzburg | S | 9 | 48 | Tenerife | S | 19 | 66 |
| Madrid | C | 12 | 54 | Montreal | Sn | -5 | 23 | Oporto | F | 13 | 55 | San Francisco | F | 8 | 46 | Tokyo | - | - | - |
| Majorca | F | 20 | 68 | Moscow | S | 1 | 34 | Oslo | C | -2 | 28 | Seoul | S | 12 | 54 | Toronto | S | -5 | 23 |
| Malaga | C | 15 | 59 | Munich | S | 10 | 50 | Paris | C | 14 | 57 | Singapore | S | 32 | 90 | Tunis | S | 19 | 66 |
| Malta | F | 17 | 63 | Nairobi | F | 27 | 81 | Peking | S | 15 | 59 | Stockholm | C | 1 | 34 | Valencia | C | 15 | 59 |
| Manchester | F | 11 | 52 | Naples | S | 16 | 61 | Prague | C | 3 | 37 | Strasbourg | S | 12 | 54 | Venice | Fg | 7 | 45 |
| Manila | F | 32 | 90 | Nassau | R | 29 | 84 | Reykjavik | F | 6 | 43 | Sydney | - | - | - | Vienna | C | 3 | 37 |
| Melbourne | - | - | - | New Delhi | S | 23 | 73 | Rhodes | S | 13 | 55 | Taipei | C | 27 | 81 | Warsaw | S | 3 | 37 |
| Mexico City | F | 30 | 86 | New York | C | 4 | 39 | Rio de Janeiro | C | 38 | 100 | Tangier | R | 13 | 55 | Washington | S | 4 | 39 |
| Miami | S | 13 | 55 | Nice | F | 15 | 59 | Rome | S | 16 | 61 | Tel Aviv | R | 14 | 57 | Zurich | C | 7 | 45 |

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES

# COMPANIES & MARKETS

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Wednesday March 6 1991



## INSIDE

### Renault takes the hard road

Falling car sales in Europe have hit Renault, the French state-owned car maker. The group is expected to announce a sharp drop in earnings last year to about FFr2bn ($382m), compared with its record 1989 profits of FFr9.3bn. The French motor group also saw its market share drop to less than 10 per cent of the European car market. George Graham reports. Page 20

### Alusuisse plans share change

Alusuisse-Lonza, the Swiss aluminium and chemicals group, yesterday announced a 42.5 per cent fall in net profits to SFr268m ($200m) and that it is to open its registered shares to foreigners investors. Nestlé, Jacobs Suchard, Ciba-Geigy and Brown Boveri have made similar moves in attempts to encourage foreign investment in Swiss companies. Page 20

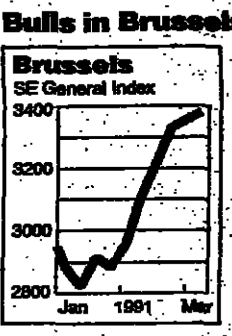
### Swamp fever

Searching for oil in the mangrove swamps of Nigeria, explorers are forced to wade through terrain with the smell and consistency of crude excrement. But the less-than-ideal conditions are endured to achieve what has been hailed as a technological breakthrough. Three-dimensional seismic surveys have revealed millions of barrels of oil in reservoirs that had previously drawn dry. Page 32 27

### Williams falls 14%

A mere 14 per cent fall in pre-tax profits was good news for the share price of Williams Holdings, the conglomerate which has just won its £404m ($764m) takeover bid for Yale & Valor. The results for 1990 of £126.1m just beat the profit forecast of not less than £125m made with the bid in January. Shares rose 2p to 278p. Maggie Urry and Tim Dickson report. Page 24

### Bulls in Brussels lace the market




It looks like the Brussels bulls are back. For the first nine weeks' trading of 1991, the Belgian cash market index has outperformed both London and New York. However, the good news is not all due to external influences such as peace in the Gulf and lower interest rates. Belgium has some of its own homemade finery to show off. Andrew Hill reports. Back Page

### Market Statistics



### Companies in this section



### Chief price changes yesterday

**FRANKFURT (DM)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Altana Ind | 551.5 | + | 16.5 |
| Bayer-Hypo | 363 | + | 13.1 |
| Didier-Werke | 195 | + | 12 |
| Dragerwerk | 275 | + | 10 |
| Vereis-West | 325 | + | 10 |
| **Falls** | | | |
| Continental AG | 235.5 | − | 16 |

**NEW YORK ($)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Apple Computer | 62 | + | $3\frac{5}{8}$ |
| Hewlt Packard | 49 | + | $1\frac{1}{2}$ |
| Microsoft | $111\frac{3}{4}$ | + | $4\frac{7}{8}$ |
| UAL | $141\frac{1}{2}$ | + | $4\frac{3}{4}$ |
| **Falls** | | | |
| Health Risk Man | 12 | − | $6\frac{1}{4}$ |
| ITT | $56\frac{3}{8}$ | − | $\frac{3}{8}$ |

New York prices as at 12.30pm.

**PARIS (FFr)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Air Liquide | 690 | + | 13 |
| Bancaire Cie | 522 | + | 10 |
| Carrefour | 3589 | + | 193 |
| Immobanque | 765 | + | 30 |
| Localrance | 522 | + | 39 |
| Schneider | 757 | + | 28 |

**TOKYO (Yen)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Iiyama | 690 | + | 100 |
| Sailor Pen | 1310 | + | 170 |
| Shin Nippon | 1290 | + | 140 |
| **Falls** | | | |
| Mitsui Wharf | 1280 | − | 100 |
| Tokai Pulp | 1030 | − | 80 |
| Toyo Sanso | 1050 | − | 130 |

**LONDON (Pence)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| AB Elect | 143 | + | 17 |
| Cadbury Schw | 364 | + | 13 |
| Carlsjaa (H) | 192 | + | 21 |
| Coats Viyella | 148 | + | 10 |
| Condor | 58 | + | 14 |
| Cook (D.C.) | 30 | + | 11 |
| Dickie (J.) | 18 | + | 7 |
| Heywood Wllms | 320 | + | 22 |
| Inck Expats | 148 | + | 25 |
| Marling | 88 | + | 12 |
| NatWest Bank | 333 | + | 21 |
| Pearson | 749 | + | 23 |
| Persimmon | 265 | + | 18 |
| United News | 357 | + | 12 |
| Wellcome | 505 | + | 22 |
| Wilson Bowden | 430 | + | 22 |
| Wyvale Gdn | 158 | + | 13 |
| **Falls** | | | |
| Anglia Sec Hms | 47 | − | 5 |
| Brit Airways | 165 | − | 8 |
| Micrelec | 115 | − | 46 |

# Volvo suffers its first loss in 60 years

By Robert Taylor in Stockholm

VOLVO, the Swedish vehicle group and largest company in Scandinavia, suffered a SKr327m ($57.5m) loss last year – after financial items – it was announced yesterday.

*This compares with a* SKr6.65bn profit achieved in 1989 and is the first time in almost 60 years that the group has made an overall loss in its operations. In 1980 Volvo's car division made a deficit for the first and only time until last year.

The company's chief executive officer, Mr Christer Zetterberg, said yesterday that Volvo had been one of the hardest hit of the world's auto companies in the current recession, because its main markets – the US, Britain and Sweden – had declined the most.

But he also emphasised that the company's restructuring programme would reduce costs by about SKr3bn by the end of this year. Further savings are also expected in 1992 and 1993.

At the time it announced its third-quarter results, Volvo reserved SKr2.45bn to meet the non-recurring costs of the planned rationalisation. This figure was included in its current financial accounts, making the overall position look worse than it really was.

The group's sales from SKr90.97bn in 1989 to SKr83.19bn in 1990. The return on capital employed fell from 13.8 per cent in 1989 to 4.4 per cent.

Loss per share totalled SKr13.1 against a profit of SKr61.7 last year. Volvo is proposing to pay a dividend of SKr15.5, the same as in 1989.

The car division made an operating loss of SKr855m last year compared with a SKr1.94bn in 1989, *while its sales fell by 8 per* cent from SKr42.94bn in 1989 to SKr39.43bn in 1990. A total of 359,600 Volvo cars were delivered to customers compared with 405,600 in 1989.

There was growth in the southeast *Asian, German and Japanese* markets, but this was insufficient to counter-balance the downturn in Britain, the US and Sweden.

Volvo's trucks saw a 38 per cent drop in profits from SKr2.28bn in 1989 to SKr1.41bn due to lower sales and depressed margins. Sales fell 3 per cent from SKr24.86bn to SKr24.1bn. The company maintained an 11 per cent share of the world truck market, delivering 55,800 trucks. It hopes to hold its position this year.

Volvo's bus production suffered with a 72 per cent fall in profits from SKr240m in 1989 to SKr67m and a 7 per cent growth in sales from SKr3.68bn to SKr3.93bn.

Volvo's engine division suffered a fall in operating profits from SKr150m to SKr69m.

Even its aerospace sector reported a sharp fall in profits from SKr306m in 1989 to SKr43m due to the lower exchange rate for the dollar, the high development costs for new engines and severe price competition in the US.

# Werner Rey to retain control of Omni group

MR WERNER REY, the Swiss financier who controls Omni Holding, will retain primary responsibility for the debt-laden group, despite Monday's announcement that he had relinquished the post of managing director, AP-DJ reports from Zurich.

Mr Juerg Neck, company spokesman, said Mr Rey would remain as chairman and would continue to negotiate with Lonrho over the possibility of the international trading conglomerate taking a stake in Omni.

On Monday, Omni said Mr Jean-Claude Vagnières would assume operational management of the company, which owns a large number of shareholdings and investments. But Mr Neck said the press release had been misunderstood.

Meanwhile, the Zurich Stock Exchange said trading in Omni share and debt issues remained suspended yesterday, given the "unclear informational situation". Trading has been suspended since last Thursday.

But the exchange said only "extraordinary events" would justify a further extension of the suspension. Trading is due to resume in Omni issues on Wednesday.

Mr Neck said that Mr Vagnieres will take up discussions with Swiss creditor banks.

# It's make or break for Timmer

**Michael Skapinker** reports on the man leading recovery efforts at Philips

To the sceptics who doubt that Philips is on the road to recovery, Mr Jan Timmer, the Dutch group's president, says: "You don't have to believe me just because of my big blue eyes."

The difficulty for watchers of Philips is that they do not have *much else* to go on. Mr Timmer has not given much indication of how he intends to revive the fortunes of Europe's largest electronics company.

Since taking over the presidency last July, he has *announced the redundancy of* one-fifth of the company's employees. But he seems to be set against further radical action, such as the sale of the company's troubled computer and electronic components divisions.

*In the group's home town of* Eindhoven last week, Mr Timmer presented his first set of annual results: a record net loss of Fl 4.2bn ($2.4bn). The loss, after restructuring provisions of Fl 4.6bn, was expected.

The detailed breakdown, however, showed a further deterioration in Philips' position over the past year. The lighting division, previously one of the group's mainstays, recorded a 47 per cent fall in profits to Fl 419m.

Only Philip's consumer electronics business showed any progress. Partly boosted by last year's World Cup, which stimulated sales of television sets and video recorders, profits rose by 32 per cent to Fl 1.7bn.

This, Philips' centenary year, should have been a happy time for the group. Nobody, however, is in the mood to celebrate. Mr Timmer denied rumours that up to half the group's Dutch employees might lose their jobs. The anniversary, Mr Timmer said, would be marked "with the greatest possible reticence".

The same phrase could have been applied to Mr Timmer's response to questions in Eindhoven last week. He would not say whether he was trying to find a joint venture partner for Philips' components business. The division's losses fell from Fl 101m to Fl 11m, but competitive pressure and investment costs in the semiconductor industry are both increasing sharply.

Nor would he comment on reports that Matsushita of Japan was to join Philips in developing the Digital Compact Cassette (DCC), which will play both conventional and higher fidelity tapes.

A Dutch journalist who accused the reticent Mr Timmer of being paranoid was probably overdoing it. But that allegation – and other, more delicately phrased variations on it – did bring out the odd flash of humour and some insight into the nature of the task Mr Timmer has taken on his ample shoulders. In particular, he made it plain that one of his priorities would be to restore the morale of the 240,000 employees who will remain when this year's job cutting is done.


*Jan Timmer: insisted that there was reason for optimism.*

He made no apology for speaking to them first. Press interviews and public statements would have to wait.

"First of all, I don't have the time. What must be done has to be done by thousands of people in the organisation. I don't think my ideas on the road the company has to travel should be published in the newspapers before they hear about it," Mr Timmer said.

He was not interested in questions such as what kind of company Philips should be in the 1990s, he said. The task now was to produce profits by improving stock control and making employees more aware of the competitive market place.

"It takes time, it takes energy to get the message to sink in. The willingness to change is not everywhere to be seen. It takes time to get people with you. If you try to do it by getting people to obey orders, it doesn't work." The picture he gave was of *employees uncomfortably* confronting the mistakes of the past. He could understand why Philips' older staff felt particularly uneasy with this process.

"It's not always possible for them to fathom what's in the minds of their superiors. I can imagine these feelings very well. But if you take the view that those involved can't change, everybody should resign," he said.

Mr Timmer insisted that there was reason for optimism. Turnover of Fl 55.8bn in 1990 was only 3 per cent less than in 1989. "Our customers remained loyal to Philips. Despite all the problems, Philips is still a resilient company," he said. "It's our opinion *that this is a very satisfactory* level of sales, considering what we've had to live with in the last few months."

Philips was also managing its inventory more efficiently. Inventories at the end of 1990 represented 20.7 per cent of sales, compared to 22.4 per cent the previous year. Further improvements would be made. Cash flow from operating activities was positive last year.

Above all, he said, the drive to make Philips more competitive had only just begun. "If we improve our profits, then all the rest will follow automatically. The goal we have in mind will be reached. I don't doubt that for one second," he said.

Mr Timmer's optimism, however, appears at odds with the economic outlook, at least in the short term.

The prospects are grim in several of the group's important markets, such as the US, the UK and Brazil.

Philips also says there is evidence of a downturn in the consumer products sector, the only area in which the group is unequivocally successful.

Mr Timmer has promised a net profit this year, but the first two months of 1991 did not go well. Sales in January and February were Fl 7.4bn, 4 per cent down on the same period last year and five per cent below the group's expectations. It was the fall in first-quarter net income last year from Fl 223m to Fl 6m which precipitated the early retirement of Mr Cor van der Klugt, Mr Timmer's predecessor.

Was this year's first-quarter profit figure likely to be a similar shock? "You can imagine that I personally intensely hope that will not be the case," Mr Timmer said. "We have no indications that it will be."

Even if the first-quarter results are reasonable, Mr Timmer indicated last week that he had limited time to produce results. If Philips was not restored to health by 1992, he said, he would quit.

Polygram results, Page 20

# Elsevier forecasts 55% rise as Pearson sells holding

By Ronald van de Krol in Amsterdam, Raymond Snoddy and Antonia Sharpe in London

Elsevier, the Dutch publisher, yesterday unveiled a more than 55 per cent jump in provisional 1990 net profit to about Fl 500m ($288.7m).

The announcement came as Pearson, the UK publishing, banking and industrial group, revealed it had sold its 22.2 per cent stake in Elsevier for £313m ($592m) to Goldman Sachs, the US investment house. Pearson bought the 14.3m Elsevier shares for £229m in 1988.

Despite the sharp rise in provisional profits – which was in line with expectations – Elsevier's shares fell steadily throughout the day. This appeared to be largely the result of the Pearson placing. It was reported that Goldman Sachs offered the Pearson stake to mainly UK institutions at Fl 74. The shares closed Fl 2.90 or 3.7 per cent lower at Fl 74.50.

Yesterday's sale by Pearson marked an end to hopes for a merger between the two groups which took stakes in each other in September 1988.

Lord Blakenham, chairman and chief executive of Pearson – which owns the Financial Times – said yesterday: "It (the Elsevier investment) has been a significant financial success. In strategic terms, the engagement has not resulted in marriage. It seemed sensible at this stage to recognise that."

The proceeds from the sale will reduce Pearson's net borrowing, *which stood at £410m at the end* of last year.

Elsevier, whose interests range from newspapers to scientific journals, holds an 8.8 per cent stake in Pearson and says it does not plan to sell.

Mr Pierre Vinken, the Elsevier chairman, will remain on the Pearson board. However, it is expected that Lord Blakenham and Mr Frank Barlow, Pearson's chief operating officer, will resign from the Elsevier board.

Lord Blakenham said yesterday *a wide range of structures* for a merger were looked at, *including the pooling of publishing resources.* No solution could be found that was acceptable to both sides.

Elsevier was the most actively traded share in Amsterdam yesterday, accounting for Fl 145.17m *($84m) of the total market* volume of Fl 785.9m.

Provisional Elsevier results, Page 20; World stock markets, Back Page

# Banks oppose Papelera debt deal

By Peter Bruce in Madrid

PAPELERA Espanola, Spain's largest supplier of newsprint, yesterday suspended payments to its creditors after failing to reach agreement with principal bankers on rescheduling its debts, worth a total of Pta23.5bn ($245m). Trading in the company's stock was suspended in Madrid.

The decision to seek protection from its creditors represents one of the most serious corporate reversals since Spain dipped into a mild recession last summer, after five years of strong economic growth.

It is understood that in a series of recent talks at least one of the company's main creditor banks, which include Barclays, Banco Bilbao Vizcaya, and at least two Basque savings banks, had strongly opposed pleas by Papelera to extend repayment of part of its Pta17.3bn short-term debt by up to nine years.

Mr Carlos Martinez Campos, president of Barclays in Spain, said the bank was owed Pta1bn by Papelera and had initially insisted that half of that should be excluded from any rescheduling as the debt had already matured. But this demand had subsequently been dropped.

Papelera also owes Pta1bn to BBV, but other bankers involved in the talks said they had opposed extending the company's repayment period because that, according to one, "would have amounted to a suspension by another name".

Analysts said the company has been caught in the middle of an expensive investment programme, involving a possible strategic withdrawal from newsprint by diversifying into tissue paper, where margins are higher.

The company, which reported provisional pre-tax losses of Pta780m last year after four years in profit, is also in the midst of a Pta50bn investment to build southern Europe's biggest newsprint mill in Navarra. A German partner has shown interest in the scheme but Papelera is understood to be considering reducing its participation in the mill, if it is built, to just 5 per cent.

The Madrid stock exchange said last night the Papelera shares could be quoted again but it would depend on financial information the company placed before the authorities.

Papelera is a Basque company and it is possible that, by appealing to BBV's Basque roots and to the Basque savings banks, to whom it owes another Pta1bn, the company could negotiate a "Basque solution" that would save jobs in the depressed northern region.

# Elsevier forecasts 55% rise in 1990 net profits

By Ronald van de Krol in Amsterdam

ELSEVIER, the Dutch publisher, has announced that provisional 1990 net profit has jumped by more than 55 per cent to around Fl 500m ($288.7m)

The sharp rise is due largely to extraordinary profits arising from its sale last year of a 33 per cent stake in fellow publisher Wolters Kluwer.

The figures were released a month earlier than scheduled because of moves by Pearson, the UK publishing, banking and industrial group which publishes the Financial Times, to seek buyers for its 22.5 per cent stake in Elsevier.

Elsevier, which in turn owns 9 per cent of Pearson, repeated yesterday that it has no plans to dispose of its half of the cross-holding.

Sales in 1990 rose by 5 per cent to Fl 2.05bn while trading income increased by 18 per cent to Fl 388m. Operating profit after tax – which Elsevier regards as the best indication of its performance – was up 17 per cent at Fl 343m.

The company emphasised that the figures were provisional because certain items, such as Pearson's final 1990 results, could only be estimated. It gave no indication whether it would raise its 1990 dividend.

In 1989, Elsevier raised its dividend by Fl 0.40 to Fl 1.80. Analysts said that Elsevier's net results contained an extraordinary gain of about Fl 150m on its sale last November of its Wolters Kluwer shares. Elsevier bought the shares in 1987 for Fl 575m and sold them for around Fl 800m last year.

Part of the book profit of Fl 225m will be transferred to shareholders' equity to counterbalance the goodwill write-off in 1987, thereby reducing the extraordinary gain.

Elsevier's shares fell by Fl 2.50 to close at Fl 74.90.

Analysts attributed the decline to Pearson's divestment and not to yesterday's results, which were in line with expectations. Final results for 1990 will be published on April 8.

# Alusuisse plans share change

ALUSUISSE-Lonza, the Swiss aluminium and chemicals group, said yesterday that it plans to open its registered shares to foreigners investors, Reuter reports from Zurich.

The company announced the move while releasing details of a 42.5 per cent fall in net profits to SFr268m ($200m) and a rise in the dividend.

Foreign investors will be limited to holding 3 per cent of the registered shares. The company will also limit the voting rights of any single shareholder to 5 per cent of total votes and it will raise the quorum required for statute changes to three-quarters of all votes represented at its annual shareholders' meeting.

Nestlé, Jacobs Suchard, Ciba-Geigy and Brown Boveri have made similar moves in attempts to encourage foreign investment in Swiss companies.

Alusuisse's share capital at the end of 1990 was SFr582m, made up of 1.49bn registered shares with a nominal value of SFr125, 1.35bn bearer shares of SFr250 par value and 2.3bn SFr25 participation certificates.

The bearers rose SFr40 to SFr1,110 yesterday and the registered shares, valued on virtually the same p/e and yield bases, by SFr10 to SFr550.

Traders said the share price rise was technically driven as the market pushed the bearer shares to a two-to-one ratio with the registered stock, corresponding to the shares' nominal values.

The parent company reported a 2.3 per cent rise in 1990 net profit to SFr133m, although the group's net dipped 42.5 per cent to SFr268m.

Group cash flow last year slipped 30.1 per cent to SFr656m, while sales dropped 10.6 per cent to SFr6.334bn.

The parent company plans a dividend boost to SFr35 a bearer share for 1990, up SFr5 from the year before; to SFr17.50 a registered share, up from SFr15.00; and SFr3.50 a participation certificate, up from SFr3.

# Esselte falls 75% and cuts its dividend

By John Burton in Stockholm

ESSELTE, the Swedish office products group, yesterday reported a 75 per cent fall in profits after financial items to SKr145m ($25.4m) for 1990. The dividend payment was cut from SKr8 per share to SKr5.25.

Sales fell by 3 per cent to SKr16bn. But profits after extraordinary income rose to SKr1.6bn from SKr636m due to the sale last year of property holdings, printing operations and the Nordstedts publishing company. The divestments, which netted a capital gain of SKr2.9bn, reflected Esselte's decision to concentrate on its core business area of office products.

Earnings fell as demand weakened in the company's biggest markets, the US, the UK and the Nordic region.

Esselte is restructuring its operations, including cutting its workforce by 2,400, an 11 per cent reduction. This added SKr749m in extraordinary costs to last year's results, which combined with costs associated with the complete takeover of its US subsidiary, Esselte Business Systems, reduced its extraordinary income to SKr1.44bn.

Esselte predicted that the 1991 results would improve despite continued weak market demand since the restructuring programme will reduce operating costs.

# Inchcape to split top post in shake-up

By Andrew Bolger in London

INCHCAPE, the international services and marketing group, is to split the roles of chairman and chief executive, which have been held by Sir George Turnbull since 1986.

Sir George, 64, is expected to continue as chairman until 1997. The role of chief executive will be assumed by Mr Charles Mackay, who heads the group's Far East operation, Inchcape Pacific.

Inchcape also announced that from the beginning of next year the entire group would be restructured and managed on the basis of four global business streams: motors; marketing and distribution; services; and resources. Each would report to a London-based board director.

Some of the businesses are currently organised on a global basis and others by country or region. Under the new system, marketing and distribution will be one worldwide business incorporating Inchcape's consumer, industrial, business machines, and wines and spirits businesses.

Sir George said he came under no pressure from institutions or shareholders to split his role.

However, while he considered the joint role had been right at a time of great strategic change, he felt it was less appropriate when the shape of the new business had been defined.

Mr Mackay, 51, joined Inchcape in 1986 from Chloride Group where he was responsible for the overseas division. Previously he was chairman of Paktrans, the European transport division of Pakhoed Holding, the Netherlands chemical storage company.

● The UK director general of fair trading said yesterdaythat his office had been informed of the proposal by Coats Viyella to acquire the Tootal Group which was announced on Monday. It will formally consider the offer until April 4.



# World Cup album boosts PolyGram

By Michael Skapinker in London

POLYGRAM, the record company which is 80 per cent owned by Philips of the Netherlands, yesterday announced 1990 net income up 7.2 per cent to Fl 357m ($206m).

Turnover increased by 27.9 per cent to Fl 5.25bn, aided by the album Pavarotti, Domingo, Carreras In Concert, recorded in Rome during the World Cup soccer finals and which sold over 5m copies last year, and by The Very Best of Elton John, which sold more than 4m.

About half the increase in sales came from newly-acquired companies, including A&M Records, purchased in January 1990, and Island Records, acquired in mid-1989. Other acquisitions which contributed to increased turnover were the purchase of the remaining 50 per cent in Channel 5, the group's UK video sales company, and the increase in PolyGram's stake in Nippon Phonogram from 50 per cent to 65 per cent.

Operating income increased by 29.1 per cent to Fl 590m, but net income was hit by a drop in interest earnings. Largely as a result of the loss of funds used for acquisitions, financial income fell from a gain of Fl 58m in 1989 to a loss of Fl 6m last year. PolyGram was also affected by the costs of reorganising its newly-acquired US businesses.

Earnings per share were up only 1 per cent to Fl 2.10, diluted by the 10m additional shares issued when Philips floated 20 per cent of the music group on the Amsterdam and New York stock exchanges in December 1989.

The gross dividend was Fl 0.50, the company's first since its flotation.

Mr Alain Levy, PolyGram's president and chief executive, said the group had increased its share of the world music market from 15 per cent in 1989 to 17.5 per cent last year. The group was Europe's biggest record company with a market share of 28 per cent, but was still relatively weak in the US.

Mr Levy said that US market share had risen from 8.5 per cent to 10.2 per cent last year. He hoped to see an increase to 14 per cent this year.

Mr Jan Cook, PolyGram's chief financial officer, said the company was still not profitable in the US, although he said that it would be by the end of this year.

PolyGram had the advantage that 48 per cent of its unit sales were of compact discs, compared with 37 per cent for the industry as a whole, Mr Cook said. In 1989, 37 per cent of PolyGram sales had been CDs. In 1985, the figure was 10 per cent.

# Fisons meets expectations with £230.2m

By Clive Cookson in London

FISONS yesterday met the market's high expectations by announcing 1990 pre-tax profits up 36 per cent to £230.2m ($436.7m).

The UK pharmaceutical, horticultural and scientific equipment group said that growth in existing businesses was responsible for a 20 per cent increase in profits. VG Instruments – acquired in February 1990 – contributed the remaining 16 per cent.

Mr John Kerridge, chairman, was in bullish mood at the results press conference. He looked forward to sustained above-average growth "throughout the 1990s", boosted by promising new drugs in the development pipeline.

Mr Kerridge said 1990 was a "highly satisfactory year" for all three Fisons divisions. Group sales rose by 18 per cent to £1.205bn. Earnings per share were up 20 per cent to 26.3p and the total dividend for the year was increased by 21 per cent to 7.5p.

Some analysts had been concerned, before the results were announced, about the impact of the recession on the scientific equipment division, but Mr Kerridge said it turned out to be virtually recession-proof, like the pharmaceutical business. The £270m acquisition of VG Instruments from BAT "has confirmed Fisons' best expectations" and turned the group into the world's third largest scientific instrument company.

Sales of scientific equipment rose to £620m (£468m) and profits from the division were £67m (£31m).

The horticultural business – closest to Fisons' historical roots but now the smallest of the three divisions – pushed up sales to £84m (£79m) and profits to £10m (£8m). It flourished in spite of severe drought in Europe and a consumer campaign against Fisons by environmentalists.

The pharmaceutical division boosted its margins, with profits up 19 per cent to £151m from £127m on a 6 per cent increase in sales to £501m from £473m.

Two respiratory (asthma) drugs, Intal and Tilade, account for one third of Fisons' pharmaceutical sales and both are making good progress.

Tilade is selling better in continental Europe than in the UK, according to Mr Kerridge, and a new "mint flavoured" version of the drug has helped sales in Germany, where asthma patients objected to the drug's bitter taste.

Approval of Tilade by the Food and Drug Administration in the US is "just around the corner".

Fisons executives are enthusiastic about drugs which are likely to emerge from the development pipeline in four to five years – in particular Tipredane, a new steroid treatment for respiratory disease.

Dr Peter Woods, corporate affairs director, disputed analysts' claims that earnings would suffer from a gap in the development programme before these new products reached the market in the second half of the 1990s.

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# Italian insurers unravel assets

By Haig Simonian in Milan

GENERALI and Riunione Adriatica di Sicurta (RAS), Italy's first and second-biggest private sector insurance companies, are shuffling their assets in Austria in a long-awaited untangling of the complex cross-shareholdings in the local market.

The agreement, which still requires regulatory approval, will give RAS the majority stake in Wiener Allianz Versicherung (WAV), currently held by Generali. Generali will also transfer a minority stake in Wiener Allianz Lebensversicherung (WAL) to RAS.

In return, RAS is giving Generali its majority stake in Interunfall-RAS Versicherung, as well as control of two small German insurance companies, Münchener Lebensversicherung and Interunfall Allgemeine Versicherung.

Both WAV and Interunfall-RAS, which are quoted companies, rank among Austria's biggest insurers, with 1990 premiums of Sch6bn ($554m) and Sch6.1bn (including life) respectively. WAL, which operates in the life sector, had premiums of Sch1.9bn last year.

The deal will marginally reduce Generali's presence in Austria, where it will remain the country's biggest insurer through its continuing control of Erste Allgemeine Versicherung, while giving it a further foothold in Germany. Meanwhile, RAS will raise its total Austrian premium income to Sch8bn from Sch61bn now.

The deal should also provide Generali and RAS with substantial capital gains as asset values in the companies changing hands are brought up to date.

Analysts said the transaction would also serve to meet the wishes of Austrian regulators, who have wanted to simplify the complex cross-shareholding structure of certain big domestic insurers. German regulators may also have sought RAS to dispose of some of its German activities following its acquisition by Allianz.

# Receivers abandon rescue plan at Northern Feather Holding

By Xueling Lin in Copenhagen

RECEIVERS at Northern Feather Holding, the Danish duvet, bedding and textile manufacturer which has debts estimated at DKr3.2bn ($543m), have given up a rescue attempt and declared the company bankrupt.

The receivers blamed the collapse of the rescue package on the impatience of US bank creditors which have pressed for a bankruptcy declaration since the holding company suspended payments in November last year following the suicide of Mr Johannes Petersen, the company's executive chairman. Sixty-nine foreign banks are owed money.


Johannes Petersen: committed suicide in November

Denmark's two biggest banks, Unibank and Den Danske Bank, have claims totalling around DKr600m. In contrast to the foreign banks, the two Danish banks, which represent the biggest single claimants, agreed not to press their claims for the duration of the reconstruction at a creditors meeting in December.

The preliminary deficit in the main three companies, Northern Feather Holding and Northern Feather Administration of Forvaltning in Denmark and Northern Feather International based in Holland, was estimated at over DKr6bn.

The Dutch holding company was not covered by the Danish suspension of payments in November last year when the collapse became public.

At its peak, the group boasted a turnover of DKr2.6bn, with 45 production and sales operations spread over the Far East, North America and Europe.

The group had also embarked on an expansion programme, a key element being the acquisition of Chatham Manufacturing Company of the US in 1988. Two weeks ago, the receivers expressed optimism over the reconstruction. The rescue package involved salvaging the sound parts of the group's operation, with the reconstruction centred around Northern Feather Textiles and Northern Feather Bed and Home Fittings of Denmark.

Pressure from foreign bank creditors to have the Dutch holding company declared bankrupt combined with lack of time (the original reconstruction period granted by the courts expired last month) have forced the receivers to give up their rescue attempt. Foreign bank creditors are expected to have to settle for 10 per cent of their claims, while the Danish banking creditors will be harder hit with an expected 1 per cent. Shareholders are not expected to receive anything while unsecured creditors will receive between one and 10 per cent in the three key companies.

● Our Financial Staff adds: After Mr Petersen's suicide on November 17 last year, the company's receivers revealed some highly creative bookkeeping, which turned a large loss for the year ended in March 1990 to a sizable profit.

The group's collapse was precipitated by reports that three international textile companies which, according to Mr Petersen, were investing in Northern Feather International as part of a strategic alliance, had not, in fact, agreed to buy equity.

# Renault expects fall in earnings

By George Graham in Paris

RENAULT, the French state-owned car maker, is expected to report a sharp drop in earnings last year to around FFr2bn ($382m), compared with its record 1989 profits of FFr9.3bn.

With car sales declining throughout Europe, the French motor group lost market share in many of its areas of activity, dropping to less than 10 per cent of the European car market.

In the trucks and heavy vehicles sector, Renault maintained its market share but still saw sales decline.

In addition, it is understood to have had to make continued heavy restructuring provisions at Mack, the US trucks company of which it has now taken full control.

The depression in the Latin American economy, too, has hit Renault's Argentinian subsidiary, which is expected to have recorded around FFr1bn of losses last year.

Earnings will also be depressed by the poor performance of the French group's 20 per cent stake in Volvo, the Swedish car maker.

Renault's results are not due to be published for some weeks, and the company yesterday refused to comment on the reports, which have emerged from Renault officials at the Geneva motor show.

The French company's sales have continued to suffer in the first two months of this year and it has been obliged to lay off workers.

Registration statistics published yesterday by the French vehicle manufacturers' association showed Renault's sales had dropped by 28 per cent last month compared with the same month of 1989.

Citroen, Renault's domestic rival, suffered a 31 per cent sales drop in February, but foreign car brands saw their sales fall only 9 percent.

# Kemira falls to FM139m

By Enrique Tessieri in Helsinki

KEMIRA, the Finnish state-owned fertiliser, paint and titanium dioxides group reported a drop in consolidated profits before appropriations and taxes during 1990 to FM139m ($37.45m), against FM315m the previous year.

Operating income before depreciation fell to FM1.66bn from FM1.68bn and accounted for 14.6 and 15.3 per cent of net sales respectively. Consolidated sales rose by 3 per cent to FM11.4bn.

Kemira blamed the drop in profitability on rationalisation and the recession.

# Carrefour up 14%

CARREFOUR, the French supermarket group, has lifted annual net profit by 14 per cent after payments to minority interests, to FFr1.35bn ($254m) in 1990 from FFr1.18bn the previous year, AP-DJ reports from Paris.

Consolidated revenue was 8 per cent higher at FFr75.8bn, from FFr70.14bn. Earnings per share were up 14 per cent to FFr211.48 from FFr184.91. The 1991 net dividend will be FFr65 a share, up 8.3 per cent from the 1990 level.

# DFDS profits cut by half

DFDS, Denmark's second largest shipping line by turnover, showed a drop in net profits to DKr94m ($16m) for 1990 compared with DKr189m for the previous year, writes Xueling Lin in Copenhagen.

The shipping line which is best known for its passenger arm, Scandinavian Seaways, blamed the strong Danish kroner and the high price of oil in the second half-year for the drop.

Scandinavian Seaways was hard hit by the downturn in passenger figures after the disaster on the Scandinavian Star passenger ferry, owned by the Danish Da-No Ferry, in which 158 passengers lost their lives in April last year.

The loss related to the disaster is estimated at DKr20m.

In general, DFDS reported satisfactory results for the passenger division, with a 3 per cent overall increase in passengers and the successful completion of renewal programme for the ferry fleet.

## Correction

# Trelleborg

THE first paragraph in yesterday's article on Trelleborg, the Swedish mining and industrial group, should have stated that the company lifted its dividend despite a 16 per cent fall in profits to SKr2.3bn ($404m).

# Royal Bank of Canada 15% lower

By Bernard Simon in Toronto

A SHARP rise in loan losses and non-performing loans pulled Royal Bank of Canada's first-quarter earnings down by 15 per cent, more than offsetting higher interest income from the US and other international operations.

Net earnings of North America's third biggest bank fell to C$232m (US$200m), or 70 cents a share, in the three months to January 31, from C$274m, or 86 cents, a year earlier. Return on common equity dropped to 15.3 per cent from 21.1 per cent, while return on assets slipped to 0.71 per cent from 0.92 per cent.

The bank said it has raised its estimate of fiscal 1991 loan losses to C$560m, a third higher than last year's write-offs. As a result, first-quarter provisions were C$140m, up from C$80m a year earlier.

Non-performing loans, excluding those to Third World debtors, stood at C$1.7bn at the end of January, more than double the level of C$784m a year earlier.

Mr Allan Taylor, the bank's chairman, said: "Although we've not escaped the effects of the current recession, we're weathering it well."

Canadian banks have generally had more conservative lending policies than their US counterparts in recent years, and have benefited from their wide geographic and strong retail base.

RBC's ratio of capital to assets, currently at 8.1 per cent, exceeds the 1992 target set by the Bank for International Settlements. Assets have grown by almost 11 per cent in the past year to C$130.8bn.

Net interest income rose by 5.8 per cent in the latest quarter to C$931.6m. Income from domestic loans was stagnant, but international business was boosted by higher loan volumes in the US, lower non-performing loans and a jump in payments from Venezuela.

# Chrysler in talks to replace credit line

By Martin Dickson in New York

CHRYSLER, the US motor manufacturer which has suffered a reduction of its credit ratings below investment grade, is trying to negotiate more flexible lines of credit with its banks.

The company is in talks with 38 banks, led by Manufacturers Hanover, to replace its existing $2.6bn line of credit with one of about $1.75bn.

Although the new line would be smaller than the existing one, it would not impose such onerous financial performance ratios on the company.

Chrysler, which has not drawn down any of the $2.6bn line, might face difficulty meeting its financial performance criteria if the current slump in the US motor industry were to continue.

The company, smallest and weakest of the big three US motor manufacturers, has recently seen the credit ratings on its debt reduced to junk bond level, making it very expensive for it to borrow in the public debt markets.

The group surprised analysts by making a modest profit in the fourth quarter of last year, but it expects a large loss in the current quarter.

# Rainbow pays R224m for Bonny Bird

By Philip Gawith in Johannesburg

RAINBOW Chickens, South Africa's largest chicken producer, is to buy the broiler operations of a rival chicken business, Bonny Bird, and a 50 per cent stake in Epol, an animal feed business, at a total cost of R244m ($94m).

Bonny Bird is 50 per cent owned by Premier group, a leading player in the food industry, which is now divesting itself from the highly competitive chicken market where it has struggled to make good profits. The balance of Bonny Bird is held by Bokomo and Saeca, two co-operatives in the Cape.

Premier will retain a 50 per cent stake in Epol but Rainbow will have management control.

Rainbow is paying R224m for Bonny Bird, in instalments over three years. The 50 per cent stake in Epol will cost a further R20m. The group intends to raise R244m in a rights offer.

The Bonny Bird acquisition increases Rainbow's share of the broiler industry from 35 to over 50 per cent. The white meat market in South Africa has shown 8 to 10 per cent volume growth over the past 20 years, most of this at the expense of beef with per capita consumption of the two now broadly equal.

Mr John Geoghegan, group managing director of Rainbow, also noted that the deal gave the company "major influence on both the quality and efficient production of feed which comprises 85 per cent of live bird production costs".

Mr Peter Wrighton, Premier's chairman, said: "Premier's long-standing underperforming assets have now been turned to good account and we will be participating in the dynamic growth of the exciting new feed developments."

The construction or purchase of feed mills in future will form part of a joint venture between the two companies.

In the six months to December, Rainbow achieved a turnover of R354.5m with operating profit of R30.8m.

# Surprise profit at Nine Network

By Kevin Brown in Sydney

NINE Network Australia, the quoted television channel which is 52 per cent owned by Mr Kerry Packer's Consolidated Press Holdings (Conspress), yesterday reported net profits of A$13.82m (US$10.73m) for the six months to December - but no interim dividend - and forecast pre-tax profits of more than A$105m for the full year.

The result was in sharp contrast to the network's fortunes under its former owner, Mr Alan Bond's Bond Corporation Holdings, which sold the company to Conspress last June.

Nine Network made net profits of A$330,000 in the first half of last year and declared a net loss of A$2.97m for the full year, which increased to A$619m after Conspress decided to write down the value of the network's broadcasting licences.

The improved profit was a surprise, because Mr Packer had earlier anticipated in the annual report that the network's cash flow and profits would not begin to improve until the 1991-92 financial year, which begins in June.

However, Mr Nicholas Falloon, finance director, said the network's financial position was improving quickly. He forecast profits before interest and tax of between A$105m and A$111m for the full year unless the advertising market worsened sharply.

"We have achieved a reasonable result in extremely difficult times, but I wouldn't get carried away," Mr Falloon said.

He added that "a big revamp of the network carried out by management installed by Conspress had resulted in substantial cuts in operating costs."

The network said it had reduced debts to A$320m from A$690m when it was acquired by Conspress, and expected to owe less than A$200m on completion of a A$169m equity capital raising being carried out by Conspress and Australian Consolidated Industries (ACIL), its two main shareholders.

The capital raising will reduce Conspress's holding in Nine to 38 per cent. ACIL, formerly Bell Resources, will reduce its stake from 30 per cent to 21.6 per cent.

Both companies have said they will not reduce their holdings any further.

Mr Falloon said the network expected to increase its share of the television advertising market to more than 40 per cent following recent negotiations with advertising agencies.

# Key staff exodus checks Haeco

By John Elliott in Hong Kong

HONG KONG Aircraft Engineering Company (Haeco), the aircraft maintenance specialist controlled by the Swire Pacific group and its Cathay Pacific Airways subsidiary, yesterday reported a 4.9 per cent increase in after-tax profits to HK$289.4m (US$37.1m) for the year ended December 31 after its turnover and labour costs were hit by emigration of key engineering staff.

This follows an 8 per cent drop in profits in the first half of last year and compares with an 18.6 per cent profits increase in 1989.

Turnover was 10.6 per cent up at HK$1.60bn last year compared with a 20 per cent rise in 1989.

During the past year, Haeco has lost about 120 of its 800 highly-skilled engineers to Hong Kong's brain drain of ethnic Chinese people who are leaving the colony to find passports abroad, especially in Australia and Canada. The total for the past two years exceeds 200.

Last week, Haeco announced it was expanding its potential capacity by purchasing a 29 per cent stake in Asta Aircraft Services, an Australian government-owned company located near Geelon in the state of Victoria. This ends Haeco's search in the UK, Canada and elsewhere for an overseas acquisition to help ease capacity constraints at its base on Hong Kong's Kai Tak airport.

Mr Peter Sutch, chairman, said that the year's results were "encouraging, bearing in mind the conditions under which we were operating".

Profits had improved in the second half of the year following a scaling down of overheads and the introduction of highly-skilled work which carried high profit margins.

A final dividend of 54 cents is being recommended. Together with a 22 cent interim, this makes a total for the year of 76 cents, compared with 74 cents in 1989.

# One-off charge hits Newmont Australia

NEWMONT Australia was forced to account for an extraordinary loss of A$257.5m (US$200m) in the year to December 31, primarily because of its acquisition of fellow gold miner BHP Gold, Reuter reports from Melbourne.

Newmont Australia, 23 per cent owned by Broken Hill Proprietary, reported a strong rise in net profit to A$47.7m before extraordinaries for 1990 from A$9.95m in 1989.

But Newmont, Australia's biggest pure gold mining company, said adjustments required by Australian accounting standards resulted in a "fair value" reduction of A$253.5m to the value of the assets of BHP Gold.

Newmont said the adjustment did not reflect its view of the value of BHP Gold, which was still carried at cost.

"This adjustment does not impair the company's cash flow, future earnings or dividend capacity.

"The company's strong gold production projections and the underpinning of revenues from its substantial gold hedging programme which now covers 1.8m ounces, leads to encouraging expectations for earnings in the present year," Newmont said.

Gold production for the year for Newmont, which has interests in eight mines in the Northern Territory and New South Wales, exceeded 365,000 ounces in 1990.

Newmont Australia said it plans to change its name to Newcrest Mining, reflecting the reduced holding of its founding shareholder Newmont Mining.

# Mutual and Federal falls to R44m

By Philip Gawith

MUTUAL and Federal (M&F), South Africa's largest short-term insurer, reported lower profits in the six months to December following a sharp drop in underwriting surplus.

Attributable profits fell to R44.6m (US$17.2m) from R47m. This was largely due to the decline in underwriting profits to R3.5m from R14.9m.

Mr Ken Saggers, managing director, noted that the industry continued to be adversely affected by aggressive competition, with premium levels inadequate for the risks covered. He said that total claims had escalated sharply due to many large fires, heavy storms and an unprecedented increase in the frequency of crime-related losses.

Against this background, M&F did well to record an underwriting surplus, an achievement most competitors failed to match. The vast bulk of profits came from investment income, which stayed virtually constant at R55m. Mr Saggers said this was the result of a shift from interest bearing to equity investments as well as static dividend flows and reduced cash flows from underwriting activities.

Net premium income increased by nearly 30 per cent to R453.4m from R349.5m, approximately half of this figure being due to the acquisition of National Employers, a short-term insurer.

The group's solvency margin – the ratio of net assets to net premium income – remains healthy and was about 110 per cent at the end of December.

Earnings per share declined from 101 cents to 96 cents, but the dividend was increased by 25 per cent from 16 cents a share to 20 cents per share.

# HK Electric in 'robust growth' with 12.7% rise

HONGKONG Electric Holdings, the monopoly supplier of electricity to Hong Kong Island which is controlled by Mr Li Ka-shing's Hutchison Whampoa group, yesterday announced profits of HK$1.95bn (US$250m) for the year ended December 31 after tax and transfers to a government scheme of control, writes John Elliott in Hong Kong.

This was 12.7 per cent higher than 1989's results. Turnover rose 15.6 per cent to HK$4.33bn in what Mr Simon Murray, chairman, described as a "year of robust growth" for Hongkong Electric, the main operating company.

Electricity unit sales increased by 7.6 per cent and maximum demand reached a record of 1,613Mw, 4.7 per cent higher than 1989.

The company's primary fuel is coal, which insulates it from the impact of oil price increases.

The final dividend is recommended at 38 cents per share. Together with an interim of 23 cents this makes 61 cents for the year.

# SA mines poised for streamlining

By Philip Gawith

THE LONG-EXPECTED streamlining of the Barlow Rand group's mining activities looks as if it may soon become reality. The group yesterday announced that it was "considering a reorganisation of certain interests within its mining and mineral beneficiation division".

In a related announcement, Barplats Mines, the platinum arm of Rand Mines, the group's mining subsidiary, announced that negotiations had been started with an interested party which could result in the rationalisation of the operations of Barplats Mines.

Neither announcement is unexpected. Mining and Mineral beneficiation (upgrading) accounted for a third, or R286m (US$110m), of the Barlow group's attributable profit in the year to September, down from 45 per cent, or R450m, a year earlier.

Mr Warren Clewlow, chief executive, announced then that "action is being taken to streamline the mining division in order to enhance its contribution to earnings and to position it according to its strengths and weaknesses".

He also said ways were being examined of reducing the effect of the cyclicality of the performance on group earnings of Middelburg Steel and Alloys, the wholly-owned ferro-alloys and stainless steel subsidiary. Attributable profit dropped to R52m in 1990 from R216m in 1989.

On the platinum side, Rand Mines is desperately trying to make the expensive Crocodile River platinum mine profitable. Last year, it shut its Vansa vanadium operation and mothballed the Kennedy's Vale platinum mine. Rationalisation discussions probably relate to a disposal of the latter two assets.

# Ameritech explores plan to issue own credit card

By Barbara Durr in Chicago

AMERITECH, the Chicago-based baby Bell that operates in five mid-western states, is exploring a plan to issue its own credit card.

The card would resemble AT&T's successful Universal card, which can be used for phone calls as well as general purchases.

Ameritech said it had not yet made a decision to go ahead. But should it do so, it would probably be the first of the regional Bell companies to enter the credit card business.

According to local reports, the card would be an "affinity" card from Visa or MasterCard issued by a bank or financial institution, but with the Ameritech logo. Ameritech would offer the card to its 12m customers in Illinois, Indiana, Michigan, Ohio and Wisconsin.

The credit card could generate new revenues in the form of fees and interest charges for the company, which besides its telephone utilities sells cellular phone services, voice mail (personal message services) and telephone directories.

Since AT&T introduced its Universal card in March 1990, nearly 5m accounts have been opened.

● KeyCorp, the Albany, New York-based multi-regional bank holding company with more than 570 banking offices in eight states, has filed for an offering of up to 4m common shares through underwriters led by Salomon and Montgomery Securities, Reuter reports from Albany.

The company, which had assets of $19.3bn at December 31 1990, said proceeds would be used to repay $80m of floating rate debt and for general corporate purposes.

# 10 consortia bid for Argentinian fuel resources

TEN investment consortia have submitted bids to operate four big oil and gas fields owned by Yacimientos Fiscales Petroliferos (YPF), the Argentinian oil company, writes John Barham in Buenos Aires.

The government hopes to raise US$1.2bn with the sale, which amounts to an indirect form of privatisation. YPF will retain a 50 per cent share in each of the four oilfields, each of which will be run by a different consortium under a 25-year management contract.

The four areas have measured oil reserves of 221.6m barrels and 4.4bn cubic metres of natural gas. Last year, YPF, which controls 60 per cent of the local market, produced 137,500 barrels of oil per day, and 48.6m cubic metres of gas per day.

This is the second leg of a privatisation process that began last year with the US$242m sale of YPF's marginal oilfields.

# INTERNATIONAL CAPITAL MARKETS

## Agreement reached on Koor debt rescheduling

By Judy Maltz in Jerusalem

ISRAEL'S parliamentary finance committee has approved $100m in loan guarantees to the ailing Koor conglomerate, paving the way for the implementation of complex debt-rescheduling agreements with the company's local and foreign banks and bondholders.

The loan guarantees were approved after months of wrangling between the government, Koor's creditors and its shareholders over the terms of the arrangement. Koor, which is owned by Israel's giant trade union federation, owes local and foreign creditors more than $1bn.

Mr Benjamin Gaon, Koor's managing director, welcomed the finance committee's decision, saying: "This decision will enable us to put into effect the arrangement with our bondholders in Israel and abroad and with banks in Israel and abroad."

Koor, Israel's largest industrial concern, has been struggling to stave off the threat of liquidation for the past two-and-a-half years. Under a far-reaching recovery programme adopted in 1989, the company has pared its work force by a third to 19,500, sold $261m in assets, and closed unprofitable factories and product lines.

In return for the government loan guarantees, the Histadrut has agreed to invest $25m in Koor and cut its stake

Benjamin Gaon: welcomed committee's decision

in the concern to 26 per cent. Aside from the loan guarantees, the government has also approved a $50m cash grant to Koor, which has already received the finance committee's approval.

Under the terms of the rescheduling arrangement, formulated a year ago, Koor's $205m debt to foreign creditors will be restructured so that 42.5 per cent will be paid in cash upon the signing of the agreement, 20 per cent over four years, and 37.5 per cent by giving the banks equity in Koor.

Israeli banks will write off $200m of Koor's $700m debt owed to them, exchange another $200m for equity, and the rest will be rescheduled over nine years.

As part of the agreement, Koor's bondholders in Israel and abroad will have the choice of recouping 51 per cent of the face value of the bonds in cash or receive 10 per cent of the face value in cash, 65 per cent in new 12-year 8.5 per cent bonds and 25 per cent in Koor equity. Koor has issued $105m in bonds in Israel and $105m in bonds in the US.

Representatives of the company's local and foreign bank creditors are scheduled to meet next week to discuss the final details of the agreement.

Koor reported a net profit of $4m in the third quarter of 1990 – its first quarterly profit in more than three years.

## S Korean firm warned on price manipulation

SOUTH Korea's Ssangyong Investment and Securities has accepted a government watchdog agency's penalty for stock price manipulation involving overseas bonds, Reuter reports from Seoul.

The Securities Supervisory Board (SSB) issued a warning to Ssangyong as a penalty for manipulating share prices of Samick Musical Instruments Manufacturing, an SSB official said.

Ssangyong was a bookrunner for the first time on the Seoul market when Samick issued $30m worth of convertible bonds in the Euromarket last February.

The 15-year bonds were listed on the Luxembourg bourse.

It is the first time that a local securities firm has been found to have manipulated the price of an overseas equity-related securities issue.

The SSB is considering ways to watch stock price variations from planning date to signing date on overseas equity-related securities to eliminate further stock pricing manipulation.

## Short-covering gives a strong start to Treasuries

By Karen Zagor in New York and Simon London in London

SHORT-covering overnight helped US Treasuries start the day on a strong note and the market held firm through the morning in light trading.

At mid-session, the treasury's bellwether 30-year bond was up ½ at 95⅞, yielding 8.24 per cent.

Gains were less pronounced at the short end of the yield curve, where the three-year issue was up ⅛, yielding 7.33 per cent.

The Federal Reserve operated in the open market to arrange $1.5bn in overnight repurchase agreements when Fed funds, the rate at which banks lend to each other, were changing hands at 6¼ per cent.

There was little reaction to the only economic news of the morning, that factory orders had fallen by 1.7 per cent in February, although the decline was greater than the 0.7 per cent decline most analysts had predicted.

In spite of the morning's gains, the market remains concerned that the US economy may be improving quickly enough to prevent the Federal Reserve from easing monetary policy again.

Trading is thus expected to remain dull until Friday, when the February employment figures are due.

### GOVERNMENT BONDS

■GERMAN government bonds showed the first substantial gains for some weeks, despite the release of industrial production figures which suggest that inflationary pressures persist in the economy.

On the London International Financial Futures Exchange, the March bund futures contract closed at 85.44 after opening at 84.99.

The last 9 per cent 10-year bund closed on a yield of 8.38 per cent, against 8.40 on Monday.

Industrial output grew by 3.6 per cent during January, after falling by 0.7 per cent in December.

The figures were boosted by very strong growth in the construction sector, although underlying manufacturing output also grew by 2.5 per cent.

Further evidence of the likely direction of German monetary policy is due this week, with manufacturing orders data and money supply figures for January set for release.

Most other European bond markets remained subdued, with many investors waiting for Friday's US non-farm payroll figures for February before allocating funds.

The labour market data may provide a key indication of the prospects of a further easing of monetary conditions by the Federal Reserve.

Non-farm employment fell by 232,000 in January, prompting the Fed to cut both its discount rate and Federal funds rate by 50 basis points on February 1.

■IN THE absence of hard economic data, UK government bonds continued to find support from expectations of a further cut in interest rates.

Dealers reported some switching to longer-dated gilts on the grounds that the flattening of the yield curve over the past month has gone too far.

This benefited the 11¾ per cent gilt maturing 2003/2007, which gained ½ point on the day to close at 110⅞ for a yield of 10.19 per cent. However, shorter-dated gilts gained only around ⅛ at the two-year maturity.

■JAPANESE government bonds gave a muted reaction to the Bank of Japan's quarterly Tankan survey of business conditions, with the benchmark government bond issue No 129 closing the Tokyo day to yield 6.645 per cent, against 6.65 per cent on Monday.

The Tankan was interpreted as giving mixed signals on the prospects of a further easing of monetary conditions by the Bank of Japan. While business confidence fell once again, inflationary pressures in the economy persist, particularly in the labour market.

Mr Yasushi Meino, Bank of Japan governor, appeared to underscore that there will be no imminent cut in interest rates in his testimony to the budget committee of parliament.

However, the market was boosted in London trading by signs that the recent rally in the dollar in the foreign exchange markets has come to an end. The 129 was yielding 6.61 per cent by late afternoon.

■CANADIAN government bonds offered the highest total return during February, measured in US dollar or sterling terms.

The J.P. Morgan government bond index monitor showed Canadian government bonds giving a total return of 3.86 per cent during the month, measured in US dollar terms.

For sterling investors, Canadian government bonds gave a sizeable total return of 7.26 per cent for February according to data from Kemper Investment Management.

UK government bonds slipped to 14th place in Kemper's index of 17 markets, having posted the best returns for sterling investors during January.

Measured in local currency terms, French government bonds were the top performers, offering a return of 3.26 per cent for the month, against 2.71 per cent on Canadian bonds and just 1.4 per cent on UK government bonds.

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| UK GILTS | | 13.500 | 09/92 | 103-25 | +03/32 | 10.77 | 10.78 | 11.45 |
| | | 9.000 | 03/00 | 93-13 | +16/32 | 10.13 | 10.00 | 10.09 |
| | | 9.000 | 10/08 | 93-00 | +21/32 | 9.84 | 9.76 | 9.80 |
| US TREASURY * | | 7.750 | 02/01 | 97-23 | +12/32 | 8.09 | 7.91 | 7.92 |
| | | 7.875 | 02/21 | 96-26 | +06/32 | 8.25 | 8.08 | 8.11 |
| JAPAN | No 119 | 4.600 | 06/99 | 88.4516 | +0.142 | 7.00 | 6.71 | 6.74 |
| | No 129 | 6.400 | 03/00 | 98.7832 | +0.223 | 6.61 | 6.36 | 6.57 |
| GERMANY | | 9.000 | 01/01 | 104.2200 | +0.370 | 8.34 | 8.34 | 8.61 |
| FRANCE | BTAN | 9.000 | 02/96 | 99.1105 | +0.152 | 9.22 | 9.29 | 9.89 |
| | OAT | 9.500 | 01/01 | 102.8600 | +0.390 | 9.04 | 9.05 | 9.44 |
| CANADA * | | 9.750 | 06/01 | 100.5000 | +0.200 | 9.67 | 9.56 | 9.89 |
| NETHERLANDS | | 8.500 | 03/01 | 99.2000 | +0.340 | 8.62 | 8.69 | 8.76 |
| AUSTRALIA | | 13.000 | 07/00 | 108.3667 | +0.177 | 11.51 | 11.49 | 11.58 |
| BELGIUM | | 10.000 | 08/00 | 104.4500 | +0.100 | 9.25 | 9.04 | 9.29 |

London closing, *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

*Technical Data/ATLAS Price Sources*

### FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.
Latest prices at 6:10 pm on March 5

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ABBEY NATIONAL 8 7/8 93 | 150 | 101¼ | 101⅝ | | 8.24 |
| ALBERTA PROVINCE 9 3/8 95 | 600 | 103½ | 103¾ | +⅛ | 8.41 |
| AUSTRIA 8 1/2 00 | 400 | 98¼ | 98¾ | −⅛ | 8.76 |
| BANK OF TOKYO 8 3/8 96 | 100 | 98¼ | 98¾ | +⅛ | 8.81 |
| BELGIUM 9 1/8 92 | 400 | 101¼ | 101⅝ | −½ | 8.16 |
| BFCE 7 3/4 97 | 150 | 97⅛ | 97⅝ | +⅛ | 8.35 |
| BNP 8 5/8 94 | 300 | 101⅛ | 101½ | | 8.21 |
| BP CAPITAL 9 5/8 93 | 150 | 102⅝ | 103⅛ | −⅛ | 8.25 |
| CANADA 9 96 | 1000 | 103¼ | 103½ | | 8.18 |
| CARCO 9 1/4 96 | 650 | 97½ | 98⅛ | +⅛ | 9.84 |
| CCCE 9 1/4 95 | 300 | 103⅛ | 103⅝ | | 8.19 |
| COUNCIL EUROPE 8 96 | 100 | 98½ | 98⅞ | +¼ | 8.34 |
| CREDIT FONCIER 9 1/2 99 | 300 | 104⅝ | 104⅞ | | 8.71 |
| DENMARK 0 98 | 250 | 53½ | 54⅛ | −½ | 8.80 |
| DENMARK 8 1/4 94 | 150 | 100¼ | 100⅝ | +⅛ | 8.14 |
| ECSC 8 1/4 96 | 193 | 99½ | 100 | | 8.35 |
| EEC 7 1/4 93 | 250 | 99¼ | 99⅝ | | 7.67 |
| EIB 7 3/4 96 | 250 | 98 | 98⅛ | +⅛ | 8.21 |
| EIB 9 1/4 97 | 600 | 103 | 103¼ | | 8.63 |
| ELEC DE FRANCE 9 98 | 200 | 102⅛ | 102⅝ | +⅛ | 8.53 |
| EUROFIMA 9 1/4 96 | 100 | 102½ | 103⅛ | | 8.61 |
| EXPORT DEV CORP 9 1/2 98 | 150 | 104⅛ | 104⅝ | | 8.63 |
| FINLAND 7 7/8 97 | 200 | 96⅛ | 96⅝ | +⅛ | 8.71 |
| FINNISH EXPORT 9 3/8 95 | 200 | 103⅛ | 103¾ | +⅛ | 8.44 |
| FORD MOTOR CREDIT 9 1/2 93 | 300 | 101⅛ | 101⅝ | +⅛ | 8.96 |
| GEN ELEC CAPITAL 9 3/8 96 | 300 | 103¼ | 104⅛ | | 8.44 |
| GMAC 9 1/8 96 | 200 | 99¼ | 99⅝ | −⅛ | 9.32 |
| HALIFAX 9 1/2 93 | 200 | 102⅛ | 103 | | 8.34 |
| IBM WORLD TRADE 7 5/8 93 | 150 | 97⅝ | 98⅛ | −½ | 8.62 |
| IND BK JAPAN FIN 7 7/8 97 | 200 | 95¼ | 95⅝ | +⅛ | 8.86 |
| INTER AMER DEV 7 5/8 96 | 200 | 96½ | 96⅞ | +⅛ | 8.43 |
| ITALY 8 1/2 94 | 1500 | 101¼ | 101⅝ | | 8.11 |
| JAPAN DEV BK 8 94 | 150 | 100 | 100½ | | 7.98 |
| KANSAI ELEC PWR 10 96 | 350 | 104⅛ | 105 | +⅛ | 8.88 |
| LTCB 8 5/8 93 | 150 | 100½ | 101 | | 8.34 |
| NEW ZEALAND 8 93 | 100 | 99¾ | 100¼ | +⅛ | 8.09 |
| NIPPON CRED BK 9 3/4 93 | 150 | 103 | 103½ | +⅛ | 8.38 |
| NIPPON TEL & TEL 9 3/8 95 | 200 | 103⅛ | 103⅝ | +¼ | 8.35 |
| NORDIC INV BANK 9 93 | 200 | 102⅛ | 102½ | | 7.93 |
| ONTARIO HYDRO 11 5/8 94 | 200 | 107¾ | 109¼ | −½ | 8.51 |
| OSTER KONTROLLBANK 8 1/8 93 | 200 | 100⅝ | 101⅛ | | 7.71 |
| PETRO-CANADA 7 1/4 96 | 200 | 94⅞ | 95⅜ | +⅛ | 8.50 |
| PRUDENTIAL RLTY SECS 0 99 | 365.216 | 49½ | 50 | +⅛ | 9.36 |
| QUEBEC HYDRO 9 3/4 98 | 150 | 103½ | 104 | | 9.07 |
| QUEBEC PROV 9 98 | 200 | 100⅝ | 101⅛ | | 8.85 |
| SAINSBURY 9 1/8 96 | 150 | 101⅛ | 102 | −⅛ | 8.84 |
| SAS 10 99 | 200 | 98⅝ | 99⅛ | −⅛ | 10.26 |
| SBAB 9 1/2 95 | 500 | 103½ | 103⅞ | +⅛ | 8.46 |
| STATE BK STH AUST 9 1/4 93 | 100 | 101⅝ | 102⅛ | −⅛ | 8.43 |
| SUMITOMO BK CAP MKT 9 3/8 93 | 150 | 102⅛ | 102⅝ | +⅛ | 8.38 |
| SWEDEN 8 1/8 94 | 150 | 99⅞ | 100⅜ | +⅛ | 8.14 |
| SWEDISH EXPORT 9 5/8 93 | 100 | 103⅛ | 103⅝ | | 7.78 |
| TOKYO METROPOLIS 8 1/4 96 | 200 | 98⅞ | 99⅜ | | 8.49 |
| WORLD BANK 8 3/8 99 | 1500 | 99¼ | 99⅝ | | 8.68 |
| WORLD BANK 8 3/4 97 | 1500 | 102⅛ | 102⅝ | −⅛ | 8.46 |
| XEROX CORPN 8 3/8 96 | 100 | 96¼ | 97¼ | +2⅛ | 9.25 |
| **DEUTSCHE MARK STRAIGHTS** | | | | | |
| ASIAN DEV BANK 8 94 | 200 | 98½ | 98⅞ | +⅛ | 8.48 |
| AUSTRIA 6 98 | 400 | 85¼ | 85½ | −2⅛ | 8.90 |
| CRT 6 1/8 98 | 200 | 84⅛ | 85 | −2⅛ | 8.96 |
| CREDIT FONCIER 6 3/4 99 | 500 | 87½ | 87⅞ | −2½ | 8.99 |
| DEUTSCHE BK FIN 5 5/8 96 | 750 | 89¼ | 89⅝ | −⅛ | 8.26 |
| EEC 5 3/8 93 | 300 | 94⅛ | 94⅝ | +⅛ | 8.82 |
| EIB 6 1/8 96 | 300 | 88⅛ | 88⅝ | −2⅛ | 9.01 |
| EIB 6 7/8 95 | 300 | 94¼ | 94¾ | +1⅞ | 8.25 |
| EUROFIMA 6 1/4 98 | 400 | 84¼ | 84¾ | | 9.17 |
| FELDMUEHLE FINANCE 8 99 | 200 | 96½ | 96⅞ | +½ | 8.57 |
| FERRO DEL STAT 5 3/8 93 | 500 | 94⅛ | 94⅝ | | 8.84 |
| IND BK JAPAN FIN 5 5/8 96 | 200 | 86 | 86½ | −⅛ | 9.15 |
| INTER AMER DEV 7 1/4 99 | 300 | 92 | 92½ | +1⅛ | 8.63 |
| LUFTHANSA INT FIN 5 7/8 98 | 500 | 84⅜ | 84⅞ | | 8.82 |
| QUEBEC HYDRO 6 3/4 99 | 300 | 88¼ | 88¾ | +1½ | 8.75 |
| SWEDEN 6 1/8 98 | 300 | 88½ | 88⅞ | | 8.35 |
| WORLD BANK 0 15 | 2000 | 17⅛ | 17⅜ | | 7.38 |
| WORLD BANK 5 3/4 96 | 300 | 87¼ | 87½ | −1⅛ | 9.01 |
| WORLD BANK 7 1/8 95 | 500 | 94⅛ | 94⅝ | −1½ | 8.82 |
| **SWISS FRANC STRAIGHTS** | | | | | |
| ASIAN DEV BANK 6 10 | 100 | 94 | | | 6.55 |
| AUSTRIA 4 5/8 98 | 100 | 90 | 90½ | +½ | 6.46 |
| CHUJITSUYA 7 3/4 95 | 50 | 101 | 102 | | 7.46 |
| COUNCIL EUROPE 4 3/4 98 | 250 | 90 | 90½ | +½ | 6.59 |
| EEC 5 1/2 00 | 100 | 90 | 91 | −1 | 6.94 |
| EIB 5 3/4 93 | 100 | 97½ | 98½ | −⅛ | 6.80 |
| ELEC DE FRANCE 7 1/4 06 | 100 | 103½ | 103¾ | | 6.86 |
| FINLAND 5 3/8 95 | 150 | 95¼ | 96¼ | | 6.52 |
| GENERAL MOTORS 7 1/2 95 | 100 | 101 | 103 | | 7.21 |
| JAPAN DEV BK 5 1/2 94 | 100 | 96½ | 97½ | | 6.85 |
| NEW ZEALAND 4 7/8 99 | 200 | 87½ | 88¼ | | 6.98 |
| QUEBEC HYDRO 5 08 | 100 | 80 | 81 | | 7.05 |
| SKANDINAVISKA ENSK 6 1/2 95 | 100 | 100¼ | 101 | +¼ | 6.27 |
| WORLD BANK 5 03 | 150 | 85 | 86 | | 6.82 |
| WORLD BANK 7 1/4 92 | 100 | 100¼ | 100½ | +¼ | 7.01 |
| **YEN STRAIGHTS** | | | | | |
| AUSTRIA 4 3/4 94 | 30000 | 94½ | 94⅞ | | 6.92 |
| CANADA 4 5/8 92 | 80000 | 96½ | 96¾ | | 7.25 |
| CREDIT FONCIER 5 1/4 94 | 20000 | 94⅝ | 94⅞ | −⅛ | 6.98 |
| DENMARK 7 95 | 40000 | 100⅛ | 100⅜ | −⅛ | 6.84 |
| EIB 4 5/8 94 | 40000 | 93¾ | 94 | | 6.88 |
| GENERAL ELECTRIC 5 3/4 93 | 35000 | 97¼ | 97⅝ | | 7.22 |
| INTER AMER DEV 7 1/4 00 | 30000 | 102⅛ | 102⅝ | | 6.89 |
| ITALY 5 3/4 92 | 150000 | 98⅝ | 98⅞ | | 7.29 |
| KANSAI ELEC PWR 4 5/8 94 | 60000 | 93¼ | 93½ | −⅛ | 7.08 |
| NIPPON TEL & TEL 5 7/8 96 | 50000 | 95¾ | 96 | −⅛ | 6.81 |
| NORWAY 5 1/8 95 | 50000 | 94 | 94¼ | −⅛ | 6.86 |
| SWEDEN 5 5/8 95 | 20000 | 95¼ | 95¾ | −⅛ | 6.86 |
| WORLD BANK 6 3/4 00 | 50000 | 99½ | 99⅞ | +⅛ | 6.83 |

| OTHER STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| BAYERISCHE VEREINS INT 7 94 LFr | 600 | 92¾ | 93¾ | | 9.78 |
| KREDIETCORP 7 93 LFr | 1000 | 94¼ | 95¼ | | 9.74 |
| WORLD BANK 8 96 LFr | 1000 | 94¼ | 95¼ | | 9.46 |
| AMRO BANK 6 1/4 92 Fl | 150 | 94⅞ | 95⅜ | | 10.18 |
| RABOBANK 5 3/4 93 Fl | 150 | 92⅞ | 93⅛ | | 10.17 |
| ALBERTA PROVINCE 10 92 C$ | 500 | 99⅝ | 100 | | 10.11 |
| BCE INC 9 5/8 93 C$ | 300 | 98½ | 99 | | 10.41 |
| BELL CANADA 10 5/8 99 C$ | 150 | 100⅛ | 100⅝ | −⅛ | 10.56 |
| BRITISH COLUMBIA 9 1/4 93 C$ | 150 | 98¼ | 98¾ | +⅛ | 10.19 |
| EIB 10 1/8 98 C$ | 130 | 100 | 100½ | −⅛ | 10.12 |
| FORD CREDIT CANADA 10 94 C$ | 100 | 97⅞ | 98¼ | +⅛ | 10.77 |
| GENERAL ELECT CAP 10 1/4 93 C$ | 175 | 101 | 101⅛ | +⅛ | 9.74 |
| MONTREAL TRUSTCO 8 1/2 92 C$ | 100 | 97½ | 98 | +⅛ | 10.83 |
| ONTARIO HYDRO 10 7/8 99 C$ | 500 | 101⅛ | 101⅜ | | 10.58 |
| QUEBEC PROV 10 1/2 98 C$ | 200 | 100 | 100½ | −⅛ | 10.48 |
| ROYAL TRUSTCO 10 1/4 93 C$ | 100 | 98¾ | 99¼ | +⅛ | 10.86 |
| SWEDEN 9 3/4 93 C$ | 250 | 99½ | 100 | −⅛ | 9.98 |
| BELGIUM 9 1/8 96 Ecu | 1250 | 99⅛ | 99⅝ | +⅛ | 9.22 |
| CRT 7 3/8 93 Ecu | 250 | 93⅞ | 95⅛ | −½ | 10.45 |
| CREDIT LYONNAIS 9 96 Ecu | 125 | 95⅞ | 97½ | −½ | 10.04 |
| DENMARK 7 5/8 96 Ecu | 250 | 91 | 91⅝ | | 9.93 |
| EEC 7 5/8 94 Ecu | 200 | 95⅞ | 96⅛ | +⅛ | 9.27 |
| EIB 10 97 Ecu | 1125 | 103⅛ | 103⅝ | | 9.18 |
| ITALY 10 3/4 00 Ecu | 1000 | 108½ | 108⅞ | +⅛ | 9.32 |
| UNITED KINGDOM 9 1/8 01 Ecu | 2750 | 99½ | 99⅞ | | 9.20 |
| BMW FINANCE 14 1/2 92 A$ | 100 | 102⅛ | 102⅝ | +⅛ | 12.27 |
| COUNCIL EUROPE 13 93 A$ | 50 | 101 | 102 | −⅛ | 12.40 |
| EKSPORTFINANS 12 3/8 95 A$ | 75 | 102⅞ | 103⅛ | +⅛ | 11.44 |
| FORD CRED AUST 13 93 A$ | 50 | 99½ | 100½ | −⅛ | 13.29 |
| ICI 15 1/2 92 A$ | 100 | 103⅛ | 104 | | 12.36 |
| MCDONALDS CANADA 15 95 A$ | 100 | 107⅞ | 108⅛ | +½ | 12.54 |
| NAT AUSTRALIA BANK 14 3/4 94 A$ | 150 | 106⅛ | 106⅝ | +⅛ | 12.14 |
| STATE BK NSW 14 1/4 99 A$ | 100 | 107 | 107½ | +⅛ | 12.82 |
| VOLKSWAGEN INTL 15 94 A$ | 100 | 106⅛ | 106⅝ | +⅛ | 12.98 |
| ABBEY NATL TREAS 13 3/8 95 £ | 100 | 106⅛ | 106½ | +⅛ | 11.37 |
| BARCLAYS JERSEY 9 1/2 93 £ | 250 | 96⅛ | 96½ | +⅛ | 11.68 |
| BRITISH GAS 12 3/4 95 £ | 150 | 105⅛ | 105½ | | 11.06 |
| DEUTSCHE BK FIN 11 94 £ | 225 | 100 | 100⅜ | +⅛ | 10.97 |
| EIB 10 97 £ | 300 | 96½ | 96⅞ | | 10.82 |
| FORD CREDIT FUNDING 9 5/8 93 £ | 50 | 94⅝ | 95 | | 12.73 |
| INTER AMER DEV 11 3/8 95 £ | 75 | 102 | 102⅜ | +⅛ | 10.73 |
| ITALY 10 1/2 14 £ | 400 | 94½ | 95 | +½ | 11.16 |
| LAND SECS 9 1/2 07 £ | 200 | 81⅛ | 81½ | +⅛ | 12.22 |
| LEEDS PERMANENT 9 1/4 93 £ | 50 | 94⅞ | 95¼ | | 12.02 |
| NORWAY 10 1/2 94 £ | 200 | 98⅞ | 99¼ | +⅛ | 11.81 |
| ROLLS-ROYCE 9 5/8 93 £ | 150 | 95 | 95⅜ | +⅛ | 12.16 |
| SAINSBURY 10 7/8 93 £ | 100 | 98½ | 99 | +⅛ | 11.78 |
| SKANDINAVISKA ENSK 13 1/8 95 £ | 100 | 104⅝ | 105⅛ | | 11.60 |
| WORLD BANK 11 1/4 95 £ | 100 | 101⅝ | 102 | +⅛ | 10.72 |
| ABBEY NATIONAL 0 96 NZ$ | 100 | 50⅜ | 52 | −⅛ | 12.92 |
| TELECOM NZ O/S FIN 13 1/8 93 NZ$ | 75 | 102 | 103 | +½ | 12.08 |
| AIDC 7 7/8 93 FFr | 600 | 96 | 96⅜ | | 9.67 |
| CREDIT LYONNAIS 10 95 FFr | 2000 | 101⅛ | 101⅜ | +⅛ | 9.64 |
| EURATOM 7 5/8 98 FFr | 500 | 90½ | 91 | | 9.47 |

| FLOATING RATE NOTES | Issued | Bid | Offer | C.cpn |
|---|---|---|---|---|
| ABBEY NATIONAL 1/16 00 £ | 150 | 99.80 | 99.90 | 14.1250 |
| ALBERTA PROVINCE 1/32 93 | 500 | 99.98 | 100.10 | 7.5938 |
| ALLIANCE & LEICS 0.08 94 £ | 300 | 99.15 | 99.25 | 14.1425 |
| BANCO ROMA 0.03 01 | 200 | 90.00 | 92.29 | 7.9363 |
| BANCO SANTO SPIRITO 93 | 200 | 99.49 | 99.59 | 8.4375 |
| BELGIUM 1/16 97 DM | 500 | 99.98 | 100.08 | 9.1250 |
| BFCE -0.02 96 | 350 | 99.98 | 100.08 | 7.7925 |
| BNP 05 | 300 | 97.40 | 97.50 | 7.4375 |
| BRITANNIA 1/10 96 £ | 150 | 98.70 | 98.90 | 14.1625 |
| CCCE 06 ECU | 200 | 99.97 | 100.07 | 9.4438 |
| CITIZENS FED 0.15 96 | 100 | 99.17 | 99.63 | 8.2125 |
| COMMERZBK O/S FIN 93 | 200 | 99.62 | 99.72 | 6.5625 |
| DENMARK -1/8 96 | 1000 | 99.18 | 99.28 | 6.9938 |
| ELEC DE FRANCE 1/8 99 | 400 | 99.93 | 100.31 | 7.0000 |
| FERRO DEL STAT 94 | 200 | 100.41 | 100.56 | 6.8750 |
| HALIFAX 1/10 94 £ | 200 | 99.52 | 99.62 | 13.6000 |
| HILL SAMUEL 1/4 PERP | 75 | 82.00 | 86.00 | 8.5000 |
| MITSUI FIN ASIA 1/8 96 | 100 | 98.90 | 99.00 | 8.1875 |
| MORGAN (JP) 1/4 97 | 250 | 97.88 | 98.63 | 7.0625 |
| NAT WEST FIN 3/16 05 | 400 | 89.50 | 91.50 | 8.3125 |
| NEW ZEALAND 93 | 500 | 99.64 | 99.76 | 6.5000 |
| QUEBEC PROV 01 | 300 | 96.90 | 97.10 | 8.1250 |
| RENFE 98 | 500 | 99.93 | 100.03 | 7.8750 |
| SOCIETE GENERALE 96 | 300 | 99.10 | 99.20 | 8.0000 |
| STATE BK VICTORIA 0.05 99 | 125 | 98.15 | 98.40 | 7.8625 |
| UNITED KINGDOM -1/8 96 | 4000 | 100.05 | 100.08 | 7.9375 |

| CONVERTIBLE BONDS | Issued | Conv. price | Bid | Offer | Prem. |
|---|---|---|---|---|---|
| ARGYLL GROUP 4 1/2 02 £ | 60 | 2.95 | 110½ | 111½ | +22.09 |
| ASDA-MFI 4 3/4 02 £ | 100 | 1.64 | 112½ | 113⅜ | +36.67 |
| BURTON GROUP 4 3/4 01 £ | 110 | 3.15 | 114⅛ | 116 | |
| EASTMAN KODAK 6 3/8 01 | 300 | 50.67 | 100⅛ | 101⅛ | +15.41 |
| GOLD KALGOORLIE 7 1/2 00 | 65 | 1.0554 | 56 | 57 | +32.01 |
| GOODYEAR TIRE 6 7/8 03 | 150 | 80⅛ | 65 | 67 | |
| GRACE (WR) 6 1/4 02 | 150 | 42⅛ | 87½ | 88½ | +23.38 |
| GRAND MET 6 1/4 02 £ | 100 | 6.50 | 111⅞ | 113 | +1.96 |
| HAWLEY 6 02 PREF | 400 | 1.91 | 97⅞ | 100 | +39.66 |
| HILLSDOWN 4 1/2 02 £ | 150 | 4.16 | 106⅛ | 107⅛ | +98.86 |
| INTL PAPER 5 3/4 02 | 200 | 68⅛ | 99⅛ | 100⅛ | +9.33 |
| LAND SECS 6 3/4 02 £ | 84 | 6.72 | 89⅛ | 90⅞ | +12.52 |
| MITSUBISHI BK 1 3/4 02 | 300 | 2727.1 | 92 | 94 | −3.13 |
| OGDEN 6 02 | 85 | 39.077 | 75 | 76 | +36.32 |
| PACIFIC DUNLOP 6 3/4 97 | 75 | 3.749 | 109⅛ | 110⅛ | −0.49 |
| TEXAS INSTRUMENTS 2 3/4 02 | 300 | 82⅞ | 82 | 83 | +66.77 |
| THORN EMI 5 3/4 04 £ | 103 | 7.45 | 111⅛ | 112⅛ | +17.36 |

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price: the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

## INTERNATIONAL CAPITAL MARKETS

# Investor demand for dollar deals runs out of steam

By Tracy Corrigan

THE recent surge of demand for dollar paper in the Eurobond market is ebbing, and the flurry of interest in long-dated paper appears to be exhausted, as the lack of direction of bond markets is shaking investors' faith in a prolonged bull market.

New issues launched yesterday were mainly concentrated at the shorter end of the market, where spreads have been tightening. Although demand for shorter maturities is said to be holding up better, investors remained unenthusiastic.

Swedish Export Credit's (SEK) $700m issue of five-year bonds was described by several traders as too large for the current level of demand. The 8⅞ per cent bonds were priced to yield 55 basis points above the five-year US Treasury, the wider end of the indicated 52 basis point to 55 basis point spread range, according to lead manager Morgan Stanley.

Although the pricing of the deal was not unreasonable, there was little incentive for investors to buy the paper in a directionless dollar bond market, some dealers said. The issue offered a three basis point pick up over five-year Finland paper in the secondary market.

The SEK deal is likely to become a benchmark in the secondary market, a rarity from a borrower which in recent years has specialised in targeted transactions.

Despite the fall-off in investor demand, there is little loose paper in the dollar market, even after heavy issuance of 10-year bonds, and borrowers like the European Investment Bank and the Inter-American Development Bank are still contemplating issues at the long end of the market, according to bankers.

In the Euroyen sector, the Republic of Finland launched a Y50bn five-year deal, via IBJ, which is also expected to become a trading benchmark. The 6¾ per cent coupon bonds were priced in line with secondary market levels, but investors again seemed rather uninspired.

Both SEK and Finland issues were still being held at their fixed re-offer price at the end of Tuesday's trading.

In the Spanish matador bond market, a Pta8bn issue of five-year bonds for the International Finance Corporation, the affiliate of the World Bank, met firm demand. The bonds were bid at less 1, well within full fees of 1½ points.

## INTERNATIONAL BONDS

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | |
| Royal Hotel(a)♦ | 100 | 4⅛ | 100 | 1995 | 2¼/1½ | Nomura International |
| PT Astra§ | 100 | (6½-7) | 100 | 2006 | 2½/1 | Morgan Stanley Int. |
| SEK(a)† | 700 | 8⅞ | 99 75 | 1996 | ¼/⅛ | Morgan Stanley Int |
| **D-MARKS** | | | | | | |
| Yonekyu Corp.(a)♦ | 45 | 4½ | 100 | 1995 | 2¼/1½ | Nomura Bank(Deutsch.) |
| **PESETAS** | | | | | | |
| Int.Fin.Corp.‡(a)† | 8bn | 13⅞ | 101 825 | 1996 | 1½ | Banco Exterior de Espana |
| **YEN** | | | | | | |
| Republic of Finland(a)† | 50bn | 6¾ | 99.55 | 1996 | ¼/⅛ | IBJ International |
| Taisei Holland BV(a)† | 3bn | 7⅞ | 101.875 | 1996 | 1⅞/1¼ | Daiwa Securities |

**Private placement. §Convertible ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable.

# Slow start for Manila currency futures

CURRENCY futures trading has got off to a slow start at the Manila International Futures Exchange (Mife) ahead of adjustments in settlement and other procedures, Reuter reports from Manila.

Mife is licensed to trade currency futures contracts but has to settle all accounts in pesos. On Friday, trading began in yen, mark and sterling contracts, all quoted against the dollar. Turnover was described as minuscule.

Opening day volume for sterling futures was 18 lots, for yen 32 lots, and D-Mark 36 lots. Open positions on yesterday were 44 lots for pounds, 94 for D-Marks and 46 for yen.

Mife officials say the aim of the market is to provide a hedging vehicle for businesses to protect against adverse exchange rate fluctuations. But many speculators say they prefer the sidelines for now in order to watch the market's mechanics.

"Another hitch that turns off traders is the arrangement that there will be no physical delivery of the foreign currency which you trade," one trader said. "Delivery will be in pesos since accounts will be settled in pesos."

Mife's contract sizes match those of the International Monetary Market (IMM) in Chicago at £62,500, DM125,000, and Y12.5m. A minimum deposit of 100,000 pesos is required to cover initial margins.

The Mife also trades in soyabeans, sugar, copra and coffee futures. The most active markets in 1990 were sugar and copra.

# Liffe aims for Ecu contract success

By Tracy Corrigan

THE NEW Ecu bond futures contract launched today by the London International Financial Futures Exchange may not enjoy heavy volume immediately, but there are hopes that it will in time become the most actively traded futures contract in Europe.

In the last few years, the growth of the Ecu bond market has outstripped any other sector, with outstanding issues now estimated at Ecu55bn.

If the Ecu becomes the currency of European monetary union, the Ecu bond market could rival even the US Treasury market in importance.

Consequently, the development of a successful contract holds great potential rewards for futures exchanges.

If Liffe is to grasp that prize, it will have to make up ground against the Matif, the French futures exchange, which launched the first Ecu bond contract last October.

For the moment, the Ecu bond market, which has experienced strong growth but from a low base, does not rank alongside the largest European government bond markets, and the relative illiquidity of the cash market – despite recent benchmark issues by a number of sovereign and supranational borrowers – will inevitably hold back volume in the futures market.

Volume in the Ecu future contract on the Matif has been less than spectacular, improving last month to an average daily volume of 2,600 lots.

Daily volume on Liffe is expected to settle at about that level.

Brokers estimate the first day's volume may be as much as 5,000 contracts, with open interest – the outstanding contracts at the end of the day – of perhaps 2,000 contracts established.

Liffe's short-term Ecu interest rate contract has an average daily volume of only around 400 contracts.

"The larger amount of deliverable bonds, and the stronger tradition of 'local' trading, are likely to give the Liffe Ecu bond futures contract an initial advantage over the Matif contract," according to Nomura Research Institute.

Some dealers said they prefer the specifications of the Liffe contract, which is based on a notional Ecu bond with a 9 per cent, rather than a 10 per cent coupon, better reflecting real market levels.

Liffe decided to adopt a 9 per coupon instead of 10 per cent, because of the substantial drop in Ecu yields in recent months.

On the other hand, French banks have a much stronger position in the Ecu market than UK houses, and are expected to remain loyal to the Matif.

Crédit Lyonnais is the only French bank which is acting as a designated broker on the Liffe Ecu contract.

The list of deliverable bonds for June 1991 delivery consists of six issues, totalling close to Ecu10bn, by the UK (9½ per cent due 2001) France (10 per cent due 2001 and 9½ per cent due 2000) Italy (10⅝ per cent due 1997 and 10¾ per cent due 2000) and the European Investment Bank (10 per cent due 2001).

The cheapest issue to deliver is initially likely to be the Italy 2000 issue.

The Liffe contract is twice the nominal size of the Matif contract at Ecu200,000, and the minimum price movement is one tick (basis point), so the tick size of Ecu20 is the same as for the Matif contract.

● The Liffe board yesterday decided to put back the opening of the bund futures contract to 7.30am.

The start of trading was brought forward to 7am, from 8am, last autumn in order to sharpen the exchange's competitive edge against the Deutsche Terminbörse, the German exchange which also trades a bund contract. Liffe said the early opening had not been justified by volume.

However, dealers commented that the success of the Liffe bund contract, which has average daily volume of 50,000 contracts, has eased the exchange's concern about competition from the DTB.

**Trading volume in exchange-traded derivative products surged last month, with record volume on both Liffe and the Matif. A record 3.57bn of futures and options were traded on Liffe last month, a 12 per cent increase on the previous monthly volume record set in August 1990. During one week in February, Liffe traded in excess of 1m contracts for the first time.**

**On the Matif, a record 3.52bn of lots were traded in February, up 12.8 per cent on January. More than 2m contracts changed hands in the notional government bond contract, up 30 per cent on the previous month**

**The Danish futures and options exchange also registered its highest monthly volume, exceeding 120,000 contracts. This represents a daily average of 6,000 contracts, well up on the previous average of 4,800 in January.**

# Indonesian group launches Eurobond

By Stephen Fidler, Euromarkets Correspondent

THE FIRST convertible Eurobond to be issued by an Indonesian company was launched yesterday.

The $100m convertible for PT Astra, the diversified group which is the largest publicly-traded company in Indonesia, is being lead managed by Morgan Stanley International.

The bond, which has a final 15-year maturity, carries a coupon indicated between 6½ and 7 per cent. It is convertible into shares at a premium indicated between 15 and 20 per cent above the market price – as measured by a five-day average before the setting date. It is non-callable for three years unless the share price exceeds 130 per cent of the conversion price.

The offering comes in the middle of a series of presentations by the company in continental Europe, the UK and the US.

Some of the issue is expected to be sold to US institutional investors under the Securities and Exchange Commission Rule 144a.

## INTERNATIONAL EQUITY ISSUES

The company, with a market capitalisation of about $2.8bn, was also the first from Indonesia to launch an international issue, in March 1990. These shares still trade above issue price – in both local currency and US dollar terms.

The company, with large interests in the manufacture and distribution of cars and motorcycles in Indonesia, is controlled by the Soeryadjaya family, which owns 76.4 per cent of the stock. If all the bonds are converted, the family stake in the firm will fall to 74.7 per cent.

High short-term interest rates in Indonesia make the convertible a highly efficient way of raising capital for the company.

Because the convertibles are settled through the Eurobond clearing houses, the convertibles are said by Morgan Stanley to offer more liquidity than shares in Indonesian companies.

● UAL, the US airline, filed a statement with the SEC for an offering of 1.5m new shares through Morgan Stanley. At current prices, the issue would raise about $220m.

# Germany and Poland in talks on debt burden

GERMANY and Poland agreed to speed up talks on a friendship treaty but failed to set a date for completing the document, Reuter reports from Bonn.

Mr Jan Krzysztof Bielecki, Polish prime minister, said after talks with Mr Helmut Kohl, German chancellor, that discussions would resume next week. Mr Bielecki said he asked for backing in easing Warsaw's massive foreign debt. He sought Mr Kohl's support for a Polish request that Western creditor nations cancel 80 per cent of Warsaw's debt.

A government source said Germany sought a reduction between Warsaw's proposed 80 per cent and 20 per cent as suggested by other lenders.

# Italian group in Greek deal

By Kerin Hope in Athens

OLYMPIC MARINE, a state-owned Greek yacht building company, will be sold to Cantieri Posillipo of Italy in the first cross-border deal agreed under the government's privatisation programme.

Cantieri, a luxury boatbuilder owned by the US-based Nouri Group, offered Dr850m ($5.5m) for the Greek company which which suffered a loss of Dr14m in 1989.

It is one of 28 heavily indebted companies which the state-controlled Industrial Reconstruction Organisation has been trying to privatise.

# Whitbread rated A+

By Simon London

WHITBREAD, the UK brewing group, has received its first credit ratings, A+ for senior debt and A1 for commercial paper, from IBCA, the European rating agency.

IBCA said the group's earnings had shown a steady increase in the past five years, led by the retailing division, which doubled operating profits in the period. In 1990, earnings covered net interest charges by nearly five times.

A weakening of the balance sheet up to 1989 was reversed by the receipt of £542m in cash for the sale of the spirits division to Allied Lyons, the UK food group, said IBCA. Gearing has also been reduced by equity growth following the in-house revaluation of the group's freehold and long leasehold property in 1989, which revealed a surplus of almost £1bn over previous book values. The group now has a net debt/equity ratio of 7 per cent.

Whitbread's 11¾ per cent 20-year domestic debenture bond issue, launched in December at a yield spread of 140 basis points over comparable UK government paper, now offers a spread of around 131 basis points over gilts.

# Belgian bond meets with strong demand

BELGIUM'S seven-year domestic borrowing, launched on Monday, raised BFr48.8bn on the first day of subscriptions, Reuter reports from Brussels. The result is good news for the treasury, which would be happy to raise BFr70bn, an official said.

He said the borrowing, bearing a coupon of 9.25 per cent and priced at 101, attracted mainly individual investors.

## LONDON MARKET STATISTICS

### FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

| | Equity groups & sub-sections | Tue Mar 5 1991 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%) | Est. P/E Ratio (Net) | xd adj. 1991 to date | Mon Mar 4 Index No. | Fri Mar 1 Index No. | Thu Feb 28 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (188) | 863.52 | +1.5 | 12.35 | 5.57 | 9.85 | 0.85 | 850.87 | 848.11 | 841.79 | 839.15 |
| 2 | Building Materials (24) | 1163.09 | +0.5 | 12.23 | 5.24 | 10.06 | 0.55 | 1156.91 | 1154.94 | 1141.72 | 1025.09 |
| 3 | Contracting, Construction (31) | 1406.83 | +1.7 | 12.72 | 5.56 | 10.19 | 3.90 | 1383.81 | 1374.77 | 1358.79 | 1394.80 |
| 4 | Electricals (10) | 2365.15 | ....... | 11.94 | 5.64 | 10.25 | 0 80 | 2364.99 | 2337.32 | 2310.18 | 2317.73 |
| 5 | Electronics (26) | 1810.51 | +2.1 | 8.72 | 4.93 | 15.26 | 1.55 | 1772.47 | 1771.71 | 1769.07 | 1844.01 |
| 6 | Engineering-Aerospace (8) | 458.90 | +3.1 | 15.94 | 5 42 | 7.56 | 0.86 | 444.93 | 444.04 | 440.22 | 409.55 |
| 7 | Engineering-General (47) | 440.15 | +1.3 | 13.43 | 5.87 | 8.96 | 1.15 | 434.31 | 428.58 | 423.67 | 453.75 |
| 8 | Metals and Metal Forming (8) | 488.62 | +1.7 | 18.67 | 7.06 | 6.61 | 0.00 | 480.38 | 475.12 | 464.32 | 464.20 |
| 9 | Motors (13) | 351.23 | +2.5 | 14.18 | 6.83 | 8.21 | 0.00 | 342.59 | 343.78 | 338.91 | 348 09 |
| 10 | Other Industrial Materials (21) | 1502.53 | +1.5 | 10.85 | 5.41 | 10.66 | 0.71 | 1480.90 | 1482.54 | 1486.09 | 1522 58 |
| 21 | CONSUMER GROUP (182) | 1375.06 | +1.8 | 8.81 | 3.82 | 14.09 | 3.44 | 1351.32 | 1352.07 | 1351.66 | 1193.72 |
| 22 | Brewers and Distillers (22) | 1708.09 | +0.9 | 9.38 | 3.65 | 13.13 | 7.47 | 1692.94 | 1701.11 | 1701.44 | 1369.31 |
| 25 | Food Manufacturing (20) | 1139.02 | +1.1 | 10.10 | 4.27 | 12.20 | 1.69 | 1126 63 | 1130.08 | 1136.50 | 1033.34 |
| 26 | Food Retailing (16) | 2517.81 | +1.4 | 8.41 | 3.08 | 15.56 | 3.15 | 2482.69 | 2489.90 | 2483.72 | 2224.62 |
| 27 | Health and Household (21) | 3000.02 | +2.9 | 6.17 | 2.65 | 19.19 | 0.91 | 2916.84 | 2901.94 | 2904.73 | 2365.35 |
| 29 | Hotels and Leisure (22) | 1345.71 | +1.7 | 10.15 | 5.10 | 11.70 | 9.06 | 1323.04 | 1314.53 | 1300.54 | 1452.22 |
| 30 | Media (25) | 1371.56 | +2.0 | 10 65 | 5.02 | 11.86 | 7.81 | 1344.51 | 1344.96 | 1337.73 | 0.00 |
| 31 | Packaging & Paper (11) | 627.18 | +3.6 | 8.39 | 5.49 | 14.61 | 0.30 | 605.55 | 599.57 | 603.85 | 549 84 |
| 34 | Stores (34) | 872.05 | +1.3 | 9.74 | 4.19 | 13.36 | 1.76 | 860.44 | 870.04 | 871.33 | 758.40 |
| 35 | Textiles (11) | 512.51 | +3.5 | 10.40 | 6.26 | 12.38 | 0.65 | 495 04 | 467.13 | 460.51 | 488.07 |
| 40 | OTHER GROUPS (110) | 1167.00 | +1.4 | 10.82 | 5.14 | 11.23 | 2.56 | 1150.98 | 1150.39 | 1145.32 | 1136.42 |
| 41 | Business Services (12) | 1109.43 | +2.3 | 11.27 | 4.86 | 10.79 | 0.26 | 1084.51 | 1070.14 | 1069.33 | 0.00 |
| 42 | Chemicals (21) | 1255.03 | +1.4 | 9.72 | 5.68 | 12.53 | 0.77 | 1237.86 | 1228.88 | 1216.04 | 1180.38 |
| 43 | Conglomerates (11) | 1530.39 | +0.5 | 11.15 | 6.74 | 10.69 | 6.83 | 1522.60 | 1526.80 | 1525.14 | 1576.57 |
| 44 | Transport (15) | 2185.83 | +0.2 | 11.96 | 4.66 | 10.31 | 1.82 | 2180.72 | 2162.53 | 2154.25 | 2208.55 |
| 45 | Electricity (12) | 1121.06 | -0.2 | 11.00 | 6.28 | 10.97 | 0.00 | 1123.29 | 1125 00 | 1124 92 | 0.00 |
| 46 | Telephone Networks (3) | 1314.22 | +2.7 | 10.17 | 3.85 | 12.78 | 0.00 | 1279.12 | 1294.21 | 1286.42 | 1152.51 |
| 47 | Water (10) | 2445.21 | +0.3 | 13.87 | 5.73 | 8.06 | 39.69 | 2437.16 | 2441.45 | 2431.46 | 1961.90 |
| 48 | Miscellaneous (26) | 1861.57 | +1.7 | 10.17 | 4.90 | 11 42 | 1.37 | 1830.87 | 1810.66 | 1805.48 | 1832 99 |
| 49 | INDUSTRIAL GROUP (480) | 1189.67 | +1.6 | 10.20 | 4.61 | 12.02 | 2.47 | 1171.13 | 1170.43 | 1166.78 | 1100.78 |
| 51 | Oil & Gas (20) | 2339 71 | +0 2 | 11.07 | 5.67 | 11.83 | 34.91 | 2334.50 | 2346 22 | 2340.82 | 2329.59 |
| 59 | 500 SHARE INDEX (500) | 1286.95 | +1.4 | 10.32 | 4.75 | 11.99 | 4 88 | 1269.19 | 1269.40 | 1265.57 | 1202.59 |
| 61 | FINANCIAL GROUP (98) | 817.97 | +1 7 | – | 5.76 | – | 2.87 | 804 57 | 802.00 | 795.63 | 791.10 |
| 62 | Banks (9) | 903.30 | +2.4 | 15.27 | 6.25 | 8.89 | 5.83 | 882.32 | 876.45 | 862.34 | 869.21 |
| 65 | Insurance (Life) (7) | 1466.70 | +1.3 | – | 5.24 | – | 0.00 | 1447.73 | 1456 89 | 1465.99 | 1263 62 |
| 66 | Insurance (Composite) (6) | 707.42 | -0.8 | – | 6.12 | – | 0.00 | 702 12 | 696 36 | 690.68 | 646 62 |
| 67 | Insurance (Brokers) (8) | 1084.62 | +1.5 | 6.82 | 5.94 | 19.21 | 7.94 | 1068.11 | 1062.50 | 1052.82 | 1061 69 |
| 68 | Merchant Banks (7) | 409.31 | +1.1 | – | 4.99 | – | 0.00 | 405.01 | 403.86 | 406 59 | 476.53 |
| 69 | Property (41) | 1040.63 | +1 5 | 6.38 | 4.52 | 21.46 | 1.26 | 1024 82 | 1027.76 | 1025 38 | 1080.15 |
| 70 | Other Financial (20) | 278.93 | +1.0 | 9.00 | 6.46 | 14.02 | 2.30 | 276.22 | 276 10 | 274.32 | 311 15 |
| 71 | Investment Trusts (69) | 1158.86 | +1.0 | – | 3.52 | – | 4.03 | 1147 03 | 1146.33 | 1136.39 | 1141.41 |
| 99 | ALL-SHARE INDEX (667) | 1171.35 | +1.4 | – | 4.86 | – | 4.39 | 1154.87 | 1154.48 | 1150.01 | 1102.28 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | Mar 4 | Mar 1 | Feb 28 | Feb 27 | Feb 26 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX‡ | 2420.1 | +37.2 | 2420.1 | 2372.1 | 2382.9 | 2386 9 | 2380.9 | 2348.0 | 2322.2 | 2216 0 |

### FIXED INTEREST

| | PRICE INDICES | Tue Mar 5 | Day's change % | Mon Mar 4 | Accrued interest | xd adj. 1991 to date |
|---|---|---|---|---|---|---|
| | **British Government** | | | | | |
| 1 | Up to 5 years (28) | 121.00 | +0.03 | 120.97 | 2.15 | 1.70 |
| 2 | 5-15 years (31) | 131.06 | +0.29 | 130.68 | 1.88 | 2.69 |
| 3 | Over 15 years (8) | 138.90 | +0.53 | 138.17 | 2.02 | 2.24 |
| 4 | Irredeemables (6) | 153.02 | +0.55 | 152.18 | 2.32 | 1.50 |
| 5 | All stocks (73) | 130.20 | +0.23 | 129.90 | 2.02 | 2.32 |
| | **Index-Linked** | | | | | |
| 6 | Up to 5 years (2) | 158.46 | +0.02 | 158.43 | 0.27 | 1.03 |
| 7 | Over 5 years (10) | 144.89 | +0.35 | 144.39 | 0.60 | 0.89 |
| 8 | All stocks (12) | 145.79 | +0.32 | 145.32 | 0.57 | 0.90 |
| 9 | Debs & Loans (54) | 110.21 | +0.03 | 110.18 | 2.44 | 1.67 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Tue Mar 5 | Mon Mar 4 | Year ago (approx) |
|---|---|---|---|---|---|
| | **British Government** | | | | |
| 1 | Low | 5 years | 9.37 | 9.40 | 11.41 |
| 2 | Coupons | 15 years | 9.69 | 9.79 | 11.12 |
| 3 | (0%-7¾%) | 25 years | 9.85 | 9.96 | 11.01 |
| 4 | Medium | 5 years | 10.29 | 10.31 | 12.75 |
| 5 | Coupons | 15 years | 10.10 | 10.16 | 11.56 |
| 6 | (8%-10¾%) | 25 years | 10.01 | 10.08 | 11.13 |
| 7 | High | 5 years | 10.43 | 10.46 | 12.85 |
| 8 | Coupons | 15 years | 10.27 | 10.33 | 11.85 |
| 9 | (11%-) | 25 years | 10.16 | 10.24 | 11.36 |
| 10 | Irredeemables | † | 10.04 | 10.09 | 11 02 |
| | **Index-Linked** | | | | |
| 11 | Inflation rate 5% | Up to 5yrs. | 3.75 | 3.75 | 4.56 |
| 12 | Inflation rate 5% | Over 5 yrs. | 4.15 | 4.17 | 4.05 |
| 13 | Inflation rate 10% | Up to 5 yrs | 2.33 | 2.32 | 3.63 |
| 14 | Inflation rate 10% | Over 5 yrs | 3.96 | 3.99 | 3.88 |
| 15 | Debs & | 5 years | 11.86 | 11 86 | 13.60 |
| 16 | Loans | 15 years | 11.61 | 11.61 | 13.12 |
| 17 | | 25 years | 11.40 | 11.40 | 13.12 |

‡Opening index 2379.1; 9 am 2372.7; 10 am 2378 1; 11 am 2386 9; Noon 2392.7; 1 pm 2398.5; 2 pm 2401.6; 2 30 pm 2405 1; 3 pm 2403.3; 4.10 pm 2415.9; (a) 4.30pm (b) 8.42am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323. CONSTITUENT CHANGES: Yale & Valor (48) has been deleted and replaced by Baynes (Charles) (10).

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 65 | 8 | 13 |
| Corporations, Dominion and Foreign Bonds | 6 | 1 | 14 |
| Industrials | 655 | 157 | 740 |
| Financial and Properties | 300 | 64 | 383 |
| Oils | 24 | 13 | 55 |
| Plantations | 0 | 0 | 10 |
| Mines | 31 | 48 | 84 |
| Others | 49 | 47 | 55 |
| Totals | 1,130 | 338 | 1,354 |

### LONDON RECENT ISSUES

#### EQUITIES

| Issue Price | Am'nt Paid up | Latest Renunc Date | 1990/91 High | 1990/91 Low | Stock | Closing Price | + or - | Net Div | Times Cov'd | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 100 | F P | – | 114 | 102 | East German Inv. Tst | 114 | +6 | – | – | – | – |
| $100 | F P | – | 95 | 58 | ♦Eidos 10p | 59 | | – | – | – | – |
| – | F P | – | 18 | 15 | ♦Europe Energy 5p | 15 | | – | – | – | – |
| – | F P | – | 3975 | 3475 | Eurotunnel Fnder Wrnts | 3900 | -25 | – | – | – | – |
| – | F P | – | 130 | 90 | JF Pacific (New Wrnts) | 130 | | – | – | – | – |
| – | F P | – | 6½ | 6 | MISI Warrants | 6½ | | – | – | – | – |
| 50 | F P | – | 45 | 43 | Trio Inv Trust | 44 | | – | – | – | – |
| – | F P | – | 9 | 6 | Do Warrants | 7 | | – | – | – | – |

### FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc Date | 1990/91 High | 1990/91 Low | Stock | Closing Price £ | + or - |
|---|---|---|---|---|---|---|---|
| – | – | – | 86 | 68 | Brent Walker Capital 13pc Cv Cap Bd | 80 | |
| 100p | F P | – | 110p | 105p | Brit Land 8½pc Cnv Cap Bds 2011 | 110p | +1 |
| 100p | F P. | – | 108p | 93p | Evered 7 25p (Net) Cnv Red Prf | 108p | +2 |
| ‡ | P/P | 29/11 | 38p | 30p | §Greenacre Group Cv Rd Prf 70p | 30p | |
| 35 | – | – | 35½ | 29½ | Grovewood Securities 8pc Cv Ln 2000 | 35½ | +1 |
| 100p | F P | – | 107p | 96p | TT Group 10¾pc Cnv Red Prf 1997 | 106p | -1 |
| 100p | F P | – | 119p | 97p | Worcester Cm Rd Cv Pf | 119p | |

### RIGHTS OFFERS

| Issue Price p | Amount Paid up | Latest Renunc Date | 1990/91 High | 1990/91 Low | Stock | Closing Price p | + or - |
|---|---|---|---|---|---|---|---|
| 5 | Nil | 22/4 | 3pm | 2pm | Alpine Group 2½p | 2pm | -½ |
| 15 | Nil | 9/3 | 2pm | ¼pm | ♦Europe Energy 5p | ¼pm | |
| 12½ | Nil | 11/3 | 1¼pm | 1¼pm | Ptarmigan | 1¼pm | |
| 50 | Nil | 19/4 | 20pm | 12pm | Resort Hotels 50p | 14pm | |
| 32 | Nil | – | 17pm | 12pm | Wickes | 17pm | |

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

### TRADITIONAL OPTIONS

- First Dealings March 4
- Last Dealings March 15
- Last Declarations June 13
- For settlement June 24

For rate indications see end of London Share Service

Calls in Aviva Pet., Burton, Control Secs., Dares Ests., Ferranti, Medeva warrants, Next, Oliver Res., P & P, Pavilion Leis., Premier Cons. and Saatchi & Saatchi. Puts in BMSS and Doctus. Put and call in WPP.

### LONDON TRADED OPTIONS

| Option | | Calls Apr | Calls Jul | Calls Oct | Puts Apr | Puts Jul | Puts Oct |
|---|---|---|---|---|---|---|---|
| Alld Lyons | 460 | 72 | 78 | 87 | 3 | 8 | 11 |
| (*523) | 500 | 38 | 47 | 61 | 8 | 19 | 24 |
| | 550 | 11 | 22 | 36 | 34 | 45 | 50 |
| ASDA | 120 | 23 | 28 | 29 | 1 | 3 | 6 |
| (*138) | 130 | 14 | 21 | 22 | 4 | 6½ | 6 |
| | 140 | 7 | 14 | 17 | 8 | 10 | 13 |
| Brit. Airways | 160 | 18 | 22 | 27 | 4 | 10 | 12 |
| (*172) | 180 | 6½ | 12 | 18 | 14 | 21 | 23 |
| | 200 | 4 | – | – | 43 | – | – |
| SmKl Beecham A | 650 | 83 | 102 | 122 | 5 | 15 | 20 |
| (*722) | 700 | 42 | 67 | 88 | 17 | 29 | 32 |
| | 750 | 20 | 42 | 60 | 42 | 53 | 63 |
| Boots | 300 | 65 | 70 | 75 | 1 | 3½ | 5 |
| (*358) | 330 | 37 | 44 | 53 | 2½ | 9 | 12 |
| | 360 | 16 | 24 | 35 | 13 | 21 | 23 |
| B.P. | 300 | 43 | 49 | 55 | 2½ | 6 | 8½ |
| (*335) | 330 | 18 | 28 | 34 | 8½ | 15 | 20 |
| | 360 | 5 | 13 | – | 27 | 31 | – |
| British Steel | 130 | 18 | 21 | 23 | 2 | 4 | 5½ |
| (*145) | 140 | 10 | 14 | 16 | 4 | 8 | 10 |
| | 160 | 2 | – | – | 18 | – | – |
| Bass | 1000 | 103 | 130 | 160 | 9 | 22 | 27 |
| (*1080) | 1050 | 64 | 95 | 125 | 22 | 40 | 48 |
| | 1100 | 35 | 65 | – | 42 | 60 | – |
| C & Wire | 500 | 56 | 70 | 85 | 7 | 16 | 22 |
| (*541) | 550 | 23 | 38 | 55 | 27 | 37 | 42 |
| | 600 | 7 | – | – | 65 | – | – |
| Courtaulds | 330 | 57 | 60 | 71 | 1½ | 4½ | 7½ |
| (*378) | 360 | 30 | 37 | 49 | 5½ | 13 | 16 |
| | 390 | 12 | 21 | 31 | 18 | 26 | 28 |
| Com. Union | 460 | 71 | 75 | 73 | 3½ | 7½ | 14 |
| (*529) | 500 | 31 | 45 | 52 | 13¼ | 20 | 28 |
| | 550 | 9 | 22 | 28 | 49 | 50 | 53 |
| Fisons | 390 | 56 | 69 | 82 | 3 | 7½ | 9½ |
| (*441) | 420 | 31 | 46 | 60 | 9½ | 15 | 18 |
| | 460 | 10 | 24 | 36 | 31 | 33 | 35 |
| GKN | 360 | 22 | 38 | 38 | 15 | 20 | 28 |
| (*379) | 390 | 8 | 22 | 25 | 37 | 38 | 45 |
| | 420 | 3 | – | – | 65 | – | – |
| Grand Met. | 650 | 96 | 115 | 130 | 4 | 12 | 15 |
| (*735) | 700 | 56 | 78 | 96 | 13 | 27 | 30 |
| | 750 | 23 | 50 | 68 | 34 | 45 | 50 |
| I.C.I | 1000 | 70 | 103 | 117 | 22 | 35 | 49 |
| (*1069) | 1050 | 34 | 72 | 90 | 45 | 57 | 72 |
| | 1100 | 18 | – | – | 79 | – | – |
| Kingfisher | 390 | 62 | 73 | 79 | 2 | 8 | 11 |
| (*443) | 420 | 36 | 47 | 57 | 7 | 15 | 20 |
| | 460 | 14 | 28 | 37 | 24 | 33 | 33 |
| Ladbroke | 260 | 22 | 29 | 39 | 7 | 16 | 19 |
| (*271) | 280 | 11 | 19 | 27 | 16 | 25 | 29 |
| | 300 | 5½ | – | – | 31 | – | – |
| Land Secur | 500 | 56 | 65 | 73 | 3½ | 9 | 12 |
| (*545) | 550 | 21 | 30 | 43 | 17 | 29 | 32 |
| | 600 | 5 | 11 | 23 | 58 | 64 | 68 |
| M & S | 220 | 27 | 32 | 39 | 2 | 6 | 8 |
| (*241) | 240 | 13 | 19 | 26 | 8 | 14 | 16 |
| | 260 | 4 | 10 | 17 | 20 | 26 | 28 |
| Sainsbury | 300 | 37 | 43 | 53 | 2 | 5½ | 8 |
| (*330) | 330 | 16 | 24 | 34 | 10 | 16 | 20 |
| | 360 | 4 | 11 | 19 | 32 | 36 | 37 |
| Shell Trans | 420 | 58 | 73 | 83 | 4 | 7 | 11 |
| (*468) | 460 | 24 | 44 | 53 | 12 | 17 | 23 |
| | 500 | 6½ | 22 | 33 | 37 | 38 | 43 |
| Storehouse | 110 | 15 | 18 | 21 | 3 | 6 | 8 |
| (*120) | 120 | 8 | 12 | 15 | 7 | 12 | 14 |
| | 130 | 4 | 7½ | – | 13 | 16 | – |

| Option | | Calls Apr | Calls Jul | Calls Oct | Puts Apr | Puts Jul | Puts Oct |
|---|---|---|---|---|---|---|---|
| Trafalgar | 240 | 35 | 39 | 50 | 7 | 15 | 20 |
| (*265) | 260 | 21 | 28 | 38 | 14 | 25 | 28 |
| | 280 | 11 | – | – | 25 | – | – |
| Utd. Biscuits | 330 | 51 | 55 | 63 | 2 | 4½ | 7 |
| (*377) | 360 | 24 | 34 | 43 | 8 | 13 | 16 |
| | 390 | 7 | 18 | 26 | 25 | 28 | 32 |
| Unilever | 650 | 75 | 85 | 105 | 6 | 14 | 18 |
| (*716) | 700 | 32 | 53 | 74 | 22 | 30 | 37 |
| | 750 | 9 | 30 | 47 | 53 | 60 | 65 |
| Ultramar | 330 | 30 | 40 | 50 | 7 | 12 | 15 |
| (*354) | 360 | 13 | 26 | 35 | 22 | 27 | 27 |
| | 390 | 3½ | – | – | 45 | – | – |

| Option | | Calls Mar | Calls May | Calls Aug | Puts Mar | Puts May | Puts Aug |
|---|---|---|---|---|---|---|---|
| Elec. Pig. | 1800 | 85 | 120 | – | 40 | 80 | – |
| (*£1808) | 1850 | 55 | 85 | – | 70 | 100 | – |
| Eastern Elec | 160 | 8 | 16 | 20 | 4 | 8 | 12 |
| (*164) | 180 | 2 | 7 | 10 | 17 | 19 | 26 |
| Southern Elec | 160 | 15 | 21 | – | 3½ | 6 | – |
| (*172) | 180 | 3 | 10 | – | 11 | 13 | – |

| Option | | Calls May | Calls Aug | Calls Nov | Puts May | Puts Aug | Puts Nov |
|---|---|---|---|---|---|---|---|
| Brit Aero | 600 | 60 | 77 | 90 | 23 | 32 | 40 |
| (*641) | 650 | 28 | 50 | 63 | 45 | 57 | 65 |
| BAA | 420 | 30 | 38 | 49 | 18 | 29 | 32 |
| (*420) | 460 | 11 | – | – | 44 | – | – |
| BAT Inds | 650 | 65 | 78 | 95 | 15 | 25 | 30 |
| (*704) | 700 | 32 | 50 | 67 | 33 | 44 | 50 |
| BTR | 390 | 20 | 33 | 39 | 20 | 23 | 26 |
| (*394) | 420 | 8 | – | – | 42 | – | – |
| Brit. Telecom | 300 | 29½ | 35 | 41 | 5½ | 11½ | 13 |
| (*315) | 330 | 11½ | 18 | 24 | 20 | 25 | 27 |
| Cadbury Sch | 360 | 19 | 29 | 37 | 17 | 21 | 24 |
| (*363) | 390 | 7 | 16 | 25 | 40 | 41 | 44 |
| Guinness | 800 | 45 | 67 | 82 | 33 | 39 | 45 |
| (*808) | 850 | 20 | 43 | 57 | 63 | 69 | 73 |
| GEC | 200 | 17 | 20 | 25 | 6½ | 12 | 12 |
| (*206) | 220 | 6½ | 10 | 15 | 17 | 24 | 25 |
| Hanson | 220 | 18½ | 25 | 30½ | 5½ | 9½ | 11 |
| (*228) | 240 | 8½ | 13½ | 20 | 16 | 20 | 20 |
| LASMO | 360 | 38 | 50 | 58 | 13 | 18 | 23 |
| (*383) | 390 | 20 | 33 | 42 | 28 | 33 | 35 |
| Lucas Inds | 140 | 32 | 37 | 43 | 3 | 4½ | 6½ |
| (*168) | 160 | 18 | 24 | 27 | 9 | 12 | 14 |
| P. & O. | 550 | 82 | 87 | 95 | 9 | 14 | 23 |
| (*622) | 600 | 40 | 57 | 65 | 27 | 35 | 43 |
| Pilkington | 180 | 22 | 24 | 29 | 7½ | 13 | 16 |
| (*191) | 200 | 12 | 13 | 20 | 17 | 25 | 27 |
| Prudential | 220 | 16 | 24 | 27 | 9 | 12 | 15 |
| (*231) | 240 | 7 | 13½ | 17 | 21 | 22 | 26 |
| Racal | 200 | 26 | 33 | 39 | 6 | 11 | 13 |
| (*216) | 220 | 15 | 23 | 27 | 15 | 20 | 23 |
| R.T.Z. | 500 | 46 | 63 | 75 | 15 | 19 | 25 |
| (*536) | 550 | 20 | 38 | 47 | 40 | 41 | 46 |
| Scot. & New | 390 | 25 | 33 | 41 | 17 | 25 | 27 |
| (*390) | 420 | 12 | 19 | 29 | 36 | 43 | 45 |
| Tesco | 240 | – | – | 29 | – | – | 12 |
| (*248) | 260 | 9 | 16 | – | 14 | 16 | – |
| Thames Water | 300 | 20 | 25 | 30 | 11 | 19 | 22 |
| (*302) | 330 | 8 | 11 | 15 | 30 | 36 | 39 |

| Option | | Calls Apr | Calls Jul | | Puts Apr | Puts Jul | |
|---|---|---|---|---|---|---|---|
| STC | 300 | – | – | – | ¼ | ¼ | – |
| (*320) | 330 | ¼ | – | – | – | – | – |

| Option | | Calls Mar | Calls Jun | Calls Sep | Puts Mar | Puts Jun | Puts Sep |
|---|---|---|---|---|---|---|---|
| Abbey Nat. | 240 | 28 | 32 | 34 | 2 | 6 | 9 |
| (*267) | 260 | 9 | 17 | 23 | 10 | 12 | 17 |
| Amstrad | 70 | 3 | 8½ | 11½ | 4 | 6½ | 8½ |
| (*70) | 80 | 1 | – | – | 11 | – | – |
| Barclays | 390 | 52 | 58 | 65 | 5 | 12 | 19 |
| (*440) | 420 | 22 | 35 | 40 | 15 | 24 | 33 |
| Blue Circle | 260 | 26 | 33 | 39 | 3½ | 13 | 18 |
| (*282) | 280 | 11 | 22 | 27 | 13 | 24 | 25 |
| British Gas | 220 | 21 | 31 | 33 | 2 | 4½ | 8 |
| (*238) | 240 | 5½ | 17 | 20 | 6 | 10 | 16 |
| Dixons | 180 | 9 | 19 | 24 | 6 | 11 | 15 |
| (*183) | 200 | 3 | 10 | 14 | 20 | 23 | 26 |
| Glaxo | 1000 | 37 | 84 | 115 | 19 | 39 | 52 |
| (*1028) | 1050 | 13 | 56 | 86 | 47 | 62 | 75 |
| Hawker Sidd. | 550 | 32 | 47 | 65 | 14 | 35 | 40 |
| (*569) | 600 | 8 | – | – | 42 | – | – |
| Hillsdown | 220 | 14 | 22 | 31 | 7 | 18 | 22 |
| (*225) | 240 | 5 | 12 | 24 | 20 | 29 | 33 |
| Lonrho | 220 | 18 | 29 | 33 | 3½ | 9 | 13 |
| (*233) | 240 | 5 | 18 | 22 | 12 | 18 | 23 |
| Midland Bk | 180 | 10½ | 23 | 27 | 8 | 13 | 18 |
| (*186) | 200 | 3 | 14 | 17 | 21 | 24 | 28 |
| Reuters | 800 | 30 | 69 | 92 | 38 | 60 | 70 |
| (*805) | 850 | 10 | 49 | 70 | 80 | 91 | 102 |
| R. Royce | 160 | 15 | 18 | 25 | 3 | 6½ | 10½ |
| (*173) | 180 | 4 | 9 | 14 | 11 | 18 | 20 |
| Sears | 90 | 5½ | 9 | 10½ | 2 | 6½ | 7 |
| (*94) | 100 | 1½ | 4½ | 7 | 8 | 12 | 13 |
| THF | 280 | 10 | 16½ | 26 | 9 | 18 | 22 |
| (*280) | 300 | 3½ | – | – | 22 | – | – |
| Thorn EMI | 700 | 28 | 54 | 62 | 12 | 23 | 38 |
| (*715) | 750 | 6 | – | – | 41 | – | – |
| TSB | 140 | 20 | 25 | 28 | 1 | 3½ | 6 |
| (*159) | 160 | 4 | 11 | 14½ | 7 | 11 | 12 |
| Vaal Reefs | 60 | 7 | 11 | 13 | 4 | 8 | 11 |
| (*562) | 70 | 2 | 6 | 9 | 10 | 13 | 17 |
| Wellcome | 500 | 21 | 47 | 65 | 15 | 29 | 33 |
| (*505) | 550 | 5 | 25 | 40 | 50 | 57 | 59 |

EURO FT-SE INDEX (*2416)

| | 2225 | 2275 | 2325 | 2375 | 2425 | 2475 | 2525 | 2625 |
|---|---|---|---|---|---|---|---|---|
| **CALLS** | | | | | | | | |
| Mar | 205 | 159 | 114 | 74 | 40 | 21 | 10 | 3 |
| Apr | 223 | 179 | 138 | 102 | 72 | 48 | – | – |
| May | 240 | – | 162 | – | 95 | – | 49 | – |
| Jun | 258 | – | 180 | – | 120 | – | 70 | 37 |
| Sep | 301 | – | 230 | – | 167 | – | 116 | – |
| Dec | 348 | – | 285 | – | 227 | – | 175 | – |
| **PUTS** | | | | | | | | |
| Mar | 4 | 6 | 10 | 20 | 39 | 69 | 105 | 196 |
| Apr | 14 | 19 | 28 | 40 | 59 | 82 | – | – |
| May | 17 | – | 35 | – | 65 | – | 118 | – |
| Jun | 25 | – | 42 | – | 75 | – | 124 | 186 |
| Sep | 44 | – | 68 | – | 103 | – | 147 | – |
| Dec | 67 | – | 93 | – | 123 | – | 160 | – |

FT-SE INDEX (*2416)

| | 2200 | 2250 | 2300 | 2350 | 2400 | 2450 | 2500 | 2600 |
|---|---|---|---|---|---|---|---|---|
| **CALLS** | | | | | | | | |
| Mar | 234 | 187 | 140 | 98 | 58 | 32 | 15 | – |
| Apr | 261 | 212 | 170 | 129 | 96 | 70 | 48 | – |
| May | 268 | 225 | 185 | 148 | 114 | 90 | 67 | – |
| Jun | 283 | 242 | 203 | 168 | 133 | 105 | 85 | 48 |
| Dec † | 358 | – | 293 | – | 230 | – | 181 | – |
| **PUTS** | | | | | | | | |
| Mar | 4 | 5½ | 10 | 16 | 30 | 55 | 94 | – |
| Apr | 11 | 17 | 25 | 35 | 52 | 75 | 109 | – |
| May | 18 | 25 | 33 | 47 | 63 | 84 | 113 | – |
| Jun | 24 | 32 | 43 | 55 | 73 | 95 | 120 | 187 |
| Dec † | 50 | – | 70 | – | 110 | – | 160 | – |

March 5. Total Contracts 36,742
Calls 24,209 Puts 12,533
FT-SE Index Calls 8,420 Puts 4,620
Euro FT-SE Calls 220 Puts 306
*Underlying security price. † Long dated expiry mths

# McMahon to resign from Midland

By David Lascelles and David Barchard

DRAMATIC developments at the Midland Bank yesterday left the UK's third largest clearer with a new chairman and chief executive, and shareholders with a halved dividend.

Sir Kit McMahon, the executive chairman, announced his intention to resign next June, when he will be replaced by Sir Peter Walters, the former chairman of British Petroleum. In addition, Mr Brian Pearse, the finance director of Barclays, will take over as group chief executive.

The news accompanied the announcement that Midland had decided to halve its dividend to 9p, the first time a clearing bank has taken such a step since World War II. However, the bank managed to report a small profit of £11m in spite of suffering severe loan losses in the UK.

This was a considerable improvement on analysts' forecasts, which ranged as low as a loss of £100m. In 1989, Midland *made a loss of £261m, mainly* because of Third World problem lending.

*The markets reacted* nervously to the news, with Midland's share price rallying from a sharp fall and then later slipping back amid an otherwise buoyant market, to close at 187p, 3p down on the day.

Sir Kit said the group's results for 1990 were "unsatisfactory" but that action undertaken last year put it in a good position to take advantage of eventual economic recovery.

"Our profits were badly hit by bad debts but we are pleased with our improvement between the two halves of 1990", he said.

The decision to cut the dividend by 50 per cent was "a difficult one" but if the step was to be taken it had to be a significant reduction.

Midland made a trading profit of £743m, down 15 per cent from the 1989 level, though there was an improving trend in the second half. But this was reduced by a charge *for bad and doubtful debts of* £703m, more than double the previous year's £307m. Most of *this related to the effects of the* UK recession.

There was also an exceptional charge of £52m for the costs of restructuring the group, an exercise which the bank said is now producing results in cost savings.

Total assets were down from £62.48bn to £59.64bn, though this still leaves Midland comfortably ahead of Lloyds, its nearest rival among the "Big Four".

During the year, the Group's Tier 1 capital fell by £264m to £2.347bn, while its total capital was down from £4.861bn in 1989 to £4.300bn. This was largely offset by a 10 per cent reduction in weighted risk assets, leaving the total capital/risk assets ratio at 9.8 per cent. (10 per cent) The equity/assets ratio was 4.3 per cent, down from 4.6 per cent a year ago.

The group suffered a tax charge of £188m compared with a credit of £57m in 1989. This increase occurred largely because the board decided it *was prudent to* write off £259m of accumulated deferred tax relief. This brought the after-tax result to a loss of £177m compared with a loss of £204m the year before.

Group costs rose by 4 per cent to £2.395bn, while the cost/income ratio – one of the main targets for improvement over the past three years – rose to 76.3 per cent (72.4 per cent), the highest level ever for Midland or any other large clearing bank.

*UK banking made a loss of* £37m (compared to a profit of £406m) after incurring a heavy bad debt charge *of £510m. For*ward Trust, Midland's finance house subsidiary, made £31m, down from £45m. Profits at other associated banking sector companies were down from £35m to £14m.

Profits at Midland Montagu fell to £71m from £79m, in spite *of increased trading profits*, after a bad debt charge of £68m (£53m). Earnings from Green*well Montagu Gilt-Edged were* strongly up as were contributions from European subsidiaries.

Thomas Cook, the travel services group, achieved record *profits of £28m, 26 per cent up* on 1989 (£22m), in what seemed to be a good performance all-round in spite of a depressed market.

Net interest income was £1.643bn (£1.85bn). Other income grew from £1.33bn to £1.49bn. Total group income showed a 1 per cent fall.

The bank's domestic net interest margin narrowed to 3.5 per cent from 4.1 per cent in 1989, while the international net interest margin was unchanged at 1.8 per cent. The margin for the group as a whole was 2.7 per cent (2.9 per cent).

There was a loss per share of 24.7p (28.3p loss). Net asset value per share was down to 309p from 345p a year ago. The second half dividend was 1.7p (10.7p), making a total of 9p for the year (18.0p).

Samuel Montagu, the merchant bank in the Midland group, made a pre-tax profit of £55m last year. This was down nearly a third on the previous year's £75m. But Mr Christopher Sheridan, the chief executive, said it had been "a good year in the circumstances".

Although there were no major acquisition deals in the market, the corporate finance department made a good contribution and increased its market share. There was also a good result from the bank's specialised financing department.

Mr Sheridan said the bank had achieved a better balance in its business, and he expected the result to compare well with *with those of other merchant banks. The profit was equiva*lent to a return of 31 per cent on capital employed, down from 43 per cent a year earlier.

# Calm reaction as dividend is halved

By Richard Lapper

ALTHOUGH THE *prospect* of a company reducing its dividend can be guaranteed to spark controversy among the UK's fund managers, institutional investors reacted calmly to the steep but well signalled cut by Midland Bank of its dividend yesterday. The second interim was cut by 9p to 1.7p, halving the total from 18p to 9p.

"Midland is seen to be an exceptional case. The fact that they are paying any dividend at all is a surprise," said one Scottish fund manager.

"We think dividend cuts should happen only in exceptional circumstances, when a company is suffering from secular rather than cyclical problems," explained the chief investment manager of another Scottish life insurer, but "Midland's problems are long-term in character."

The view was echoed by Mr Tom Crombie, of Scottish Equitable. "In most cases we don't want to see cuts but in some cases it may be necessary. Midland are quite correct to do what they are doing. They are following an appropriate policy but I wouldn't expect all of British industry to do the same."

Another investment manager with a UK composite insurer said that he recognised Midland's inability to maintain "a progressive dividend policy" with earnings being "smoothed out in the long-term."

In Midland's case two years of losses and the prospect of a further difficult year in 1991 meant that a severe cut "had to be made" to reduce the possibility of having to make more cuts in future. "The last thing you want to see is a dividend cut one year and then another cut the next year," he added.

Mr John Parrott of Commercial Union agrees. "It is better to get the pain over with. Institutions look for consistency as the minimum requirement. Seeing a dividend consistently being chopped back isn't a good sign. It indicates continuing problems."

According to Mr Clive Gilchrist, the chairman of the investment committee of the National Association of Pension Funds, dividend policy as well as what actually happens to the dividend itself is important. "Where companies are going wrong is not to tell shareholders what its policy is in determination of the dividend. I'd like them to state what their policy is and then stick to to it so that we don't have the uncertainty."

Fund managers have been accused of short-termism, added Mr Gilchrist, but "its easier to take a long-termview when companies tell you what their long-term policies are."

# Benlox aims for relisting of shares

By Maggie Urry

BENLOX, the construction, vehicle leasing and property group whose shares have been temporarily suspended at 8p since April last year, yester*day said that* it expected to publish accounts for 1989 and 1990 "in the not too distant *future*".

The company is aiming to have its shares relisted.

*Benlox, remembered* for launching an audacious £2bn takeover bid for Storehouse, *the retail group, in 1987 and* for once being a joint-owner of the prestigious Wentworth gold course, has been *selling* businesses to reduce debt.

Bank debts were now below £1m, and should fall further, Benlox said, as land sales are completed.

Mr Bob Hankes-Drielsma, chairman, said that the present management had worked for a year with the aim of starting afresh as a viable concern.

He said that Benlox has about 5,000 small shareholders who have been pressing the Stock Exchange for the company to make a statement and that a relisting was in their interests.

The group said that its losses for 1990 would be "very substantial". Last year it said results for 1989 would be "worse than expected". The last reported trading figures showed a £1.8m pre-tax loss for the first half of 1989. Only the construction division had done well in 1990, *Benlox said*, and had a good order book.

Mr Nigel Wright, a non-executive director, has resigned from the board. Mr Paul Bloomfield, a property trader who owns *29 per cent of Ben*lox shares, is an executive director.

# Omni gives ILG £40m

By David Churchill, Leisure Industries Correspondent

International Leisure Group, the tour operator and airline business, confirmed yesterday it had last week received the extra £40m re-financing from Mr Werner Rey's Omni Holdings agreed late last year.

ILG had been concerned over speculation that Mr Rey's own financial re-structuring in recent days would affect its operations.

However, it maintained that the re-financing package agreed last December was not threatened by these changes. It also confirmed that the shareholding in ILG was through Omni and not Harpener, the German industrial conglomerate which Mr Rey controls.

# Williams falls to £126m after homes and gardens downturn

By Maggie Urry and Tim Dickson

WILLIAMS HOLDINGS, the conglomerate which has just won its £404m takeover bid for Yale & Valor, the locks and domestic appliances group, reported a 14.2 per cent fall in pre-tax profits for 1990.

The total was £126.1m (£147.0m), just beating the forecast of £125m made with the bid in January. Williams shares rose 2p to 278p.

Turnover for the group – whose better-known products include Smallbone kitchens and Polycell DIY – was 14.8 per cent lower at £833.6m, partly because of the £205m *sale of Crown Berger*, the *UK* paint business, in May 1990.

A fall in interest charges in *the second half of the* year, thanks to the proceeds from the Crown sale, offset a worsening trading *profit* trend. The interest charge for the year was £10m, down from £12.9m.

For the year trading profits were 14.9 per cent lower at £136.1m, but this included an 18.9 per cent drop in second half trading profits.

Mr Tim Allen, a director of corporate finance at Williams, said there had been a worsening in trading conditions for the consumer products side during the second half, with the homes and gardens division, which includes *Smallbone* and Amdega, the conservatory builder, making a small loss. As yet, he *said*, there was *no* sign that falls in UK interest rates were boosting demand.

As a whole the consumer and building products side, which as well as homes and gardens includes *do-it-yourself* products such as Polycell, suffered a 10.8 per cent fall in trading profits for the year to £53.8m. The industrial and military products division fared better, seeing *only* a 2.9 per cent drop in trading profits to £70.5m. Businesses sold contributed £11.9m (£27.1m).

After a slightly lower tax rate, the group made a £72m *extraordinary gain*, *largely* the profit on the Crown sale. Fully diluted earnings fell 12.7 per cent to 22.7p a share. The final dividend of 7.25p (7p) gives a total of 12p (11.5p) a 4.3 per cent rise. The dividend is covered 1.9 times by earnings, down from 2.3 times for the 1989 pay-out.

● **COMMENT**

Shareholders in Williams should realise by now that they are really backing the judgement of chief executive and chairman Messrs McGowan and Rudd. This time a year ago, after all, they would hardly have expected to see the exit of Crown Berger or the entry of Yale and Valor. Twelve months from now there is no knowing what further *acquisitions* the two restless executives will have landed. The key to 1991 results lies *both* in the speed of the pick-up in the UK and North America and in what can be *squeezed out* of Yale. The company is not *saying* much about the latter, but the job should at least be less time-consuming and less complicated than the Pilgrim House/Kidde turnaround. How much fat remains to be cut out of a company which has been under pressure for a couple of years is another matter. As for the immediate outlook, it appears that the second half slowdown in the loss-making homes and gardens business, US fire protection and DIY is at least not getting any worse. But it is anyone's guess how soon interest rates will fall by enough to revive the consumer side, while the weakness of the dollar is still a hurdle in the US. The shares have had a good run since the Yale bid but at 278p are on a *multiple* of some 12 times prospective earnings. That looks high enough.

# Expamet declines to £12.8m

By Clare Pearson

A SUBSTANTIAL downturn in trading during the second half meant pre-tax profits of Expamet International, the international building products, security and industrial products company, fell from £13.6m to £12.8m during the 1990 year.

Turnover increased from £150.6m to £159m.

Mr Jeremy Beasley, chairman, said: "These results do not match our expectations, even at the interim stage," when Expamet had reported profits 14 per cent higher at £6.3m. He said that so far in the current year he had seen no improvement in trading from the much lower levels of the final quarter, when the company had been hit by a substantial downturn in demand in the UK.

However, after a much lower £3.08m (£4.02m) tax charge, earnings per share held their own at 20.8p (21.31p). The final dividend is being maintained at 6.2p making a 10.38p (10p) total.

There was a £4.93m extraordinary debit – against a £7.14m credit last time – for sale of businesses designated non-core.

● **COMMENT**

Mr Beasley says debt reduction is the big financial objective for 1991, and a good thing too. He is budgetting for borrowings of £21m at the end of the year, to be achieved mainly through selling some small remaining non-core businesses and reducing working capital. It is not the best climate to do these things, but even if Expamet manages them its shareholders will still face a pretty dismal outlook this year. No-one expects the dividend to be increased. Also, whatever happens on the trading front, the freakishly low tax charge is not going to be repeated so earnings per share are bound to be lower. The shares are not even at particularly depressed levels at the moment and stand on a prospective p/e of 11 assuming the company makes £12m pre-tax for the year. Shareholders might comfort themselves with the reflection that Expamet still reigns supreme in the world of bladder accumulators.

# Freeman Group static with £2.3m

By Peter Franklin

AGAINST a background of a severe downturn in the UK construction sector, Freeman Group, the USM-quoted contracting services and insulation distribution specialist, reported only a marginal decline in 1990.

Profits before tax and an exceptional credit fell by 6 per cent from £2.46m to £2.31m. However, the exceptional £197,000, which arose mainly from the sale of premises, boosted the pre-tax tax figure to £2.51m (£2.46m).

Mr Jim Potter, the managing director, said that a review of contract valuations on the fire protection side of Freeman Contracts had revealed that some of the contracts had been "optimistically valued". In the circumstances the company had felt it prudent to make provisions against a possible £300,000 shortfall.

Turnover rose from £52.88m to £76.97m, reflecting acquisitions.

The interest charge surged to £479,000 (£178,000), as the effects of the French acquisition, Ouest Isol, came through, and gearing now stands at 42 per cent. The interest cover has fallen from 14.8 to 5.8.

Earnings per share fully diluted fell to 26.1p (26.7p) and a final dividend of 5.5p (5.35p) makes a total for the year of 8.5p (8.1p).

# Hammerson secures New York letting

HAMMERSON, the property *investment group, has let part* of a new office development at 420 Fifth Avenue, New York, to Cable News Network, a subsidiary of Turner Broadcasting System, writes Vanessa *Houlder*, Property Correspondent.

The building, which occupies a complete block frontage between 37th and 38th street, is scheduled for completion shortly.

CNN is taking 59,000 sq ft of the 30 storey building which comprises 590,000 sq ft of office *and retail space*.

The rent, which was undisclosed, was believed to be *about $50 (£26.50) per square foot*.

Hammerson said that the leasing market in New York was as difficult as in London.

It believed that securing CNN as a tenant would pave the way for other prospective tenants.

The high vacancy rates in the New York property market stem from extensive building programmes during the 1980s, combined with the effects of the recession on New York's *tenants*, which are principally corporate headquarters, financial markets and business services.

● Great Portland Estates, the property group, has let most of a 60,000 sq ft office development in Holborn, ahead of its completion. The tenants are Bird & Bird, solicitors, who will pay an overall rent of £41 per square foot.

# Exceptionals boost Wates City

By Vanessa Houlder, Property Correspondent

WATES CITY of London, the only UK property company to hold all its assets in the City of *London, yesterday* announced a 17 per cent fall in net asset value from 300.2p to 250.2p for 1990.

Pre-tax profits for the year increased from £10.22m to £30.53m, helped by a £22.09m exceptional item.

The exceptional item stemmed from a £27.02m profit on the disposal of interests in three properties, a provision of £3.25m *for* cost overruns on two of those properties and a £1.67m write-off for abortive *work on its City Plaza scheme* over London Wall.

The fall in asset values *reflected a 20 per cent fall in* investment properties. The development portfolio produced a mixed result, with a fall of more than 20 per cent in the case of Winchester House but a rise from its Vintners Place development, which was the subject of a joint venture with Sumitomo Corporation in December.

Mr James Dundas Hamilton, *the chairman said: "I am hope*ful of a return to both rental and capital growth in the City *during* 1992. Wates City is well placed to take advantage of any revival in demand, having pursued a policy of creating what are now called 'trophy buildings'."

Net rents receivable decreased by 2 per cent to £14.83m, as a result of gaining vacant possession of a Cheapside building prior to redevelopment and the planned run down of income from Winchester House in Old Broad Street.

The interest costs less investment income increased from £2.4m to £3.88m.

At the year end, net debt was £75.5m, with gearing of 25 per cent. Earnings per share increased from 7.16p to 23.19p.

A final dividend of 2.96p was proposed, which together with the interim dividend of 0.77p, *gives a total of 3.73p (3.39p)*, a 10 per cent increase.

● **COMMENT**

When a company is completely exposed to the worst sector of *the worst UK* property market in living memory, reasons to be cheerful are in short supply. *Nonetheless*, the company puts a brave face on it, emphasising the relative shortage of large *modern* City buildings and the appetite of Japanese investors for trophy properties, which *has* been muted in recent months but may well reappear. Unfortunately the good news is swamped by the bad. The City vacancy rate is 16 per cent and rising, rents are down by 15 per cent and falling, large parts of the financial services industry are shedding labour and improvements to transport may make the Docklands an increasingly credible alternative. Accordingly, it seems possible that the *net asset value* could drop again this year, perhaps by as much as 10 per cent. Using this *admittedly* bearish assumption, the share price, down 3p to 162p after a good performance so far this year, is on a prospective discount of 28 per cent.

# UK COMPANY NEWS

## Polypipe placing to raise £13.6m

By Jane Fuller

POLYPIPE, the Doncaster-based maker of plastic pipes and fittings, is raising £13.6m via a share issue to fund a series of acquisitions.

The funding exercise involves the placing of 9.3m shares at 150p each, compared with yesterday's unchanged closing price of 165p.

Polypipe also announced a 3.7 per cent increase in pre-tax profit to £5.27m (£5.06m) for the six months to December 31, on sales of £33.87m (£33.71m).

In December, the group had £1m cash in the bank after paying £450,000 for the first of the recent acquisitions, Plastic Spools, a maker of such products as cotton reels.

Mr Jack Green, financial and commercial director, said up to £9.2m more was committed to two other companies, both acquired from receivers.

Premier Profiles, a maker of window parts which would be merged with the established Procell Plastics business, had cost £3.3m.

A further £1.3m was due to go out for Oasis Leisure, a garden furniture company which also had heavy working capital requirements.

In a full year, the three new business would bring in turnover of about £20m, he said.

Mr Kevin McDonald, chairman and managing director, said Oasis had particular potential as it took Polypipe into a new area and brought in bigger moulding machines. Its seasonal imbalance could be tackled by moving into other products.

An imminent fourth acquisition in one of Polypipe's core areas would mop up the remaining, which was about £4m, taking into account working capital and the cost of relocation, he said. At the end of the process, the group would be free of debt.

The share offer, arranged by Panmure Gordon, enables share holders to apply for new stock on a 1-for-7.25 basis. Mr McDonald and Mr Geoffrey Harrison, technical director, are not taking up their entitlement to 3.6m shares. The directors' holding will fall from 40 to 36 per cent.

Earnings per share improved during the first half to 5.05p (4.92p) and the interim dividend rises by 9 per cent to 1.2p (1.1p).

● **COMMENT**

Polypipe has taken advantage of a near 50 per cent improvement in its share price since last September to digest a bulge of acquisitions without becoming geared. And who can blame them, especially when the institutions seem to have such a strong appetite for quality small company shares. It seems likely that the money will prove well spent. The company has, on the whole, a good record for integrating and improving acquisitions. The move, via Oasis, into a different market seems particularly wise as strong positions have already been built up in its core "above and below-ground" pipe markets. The interim figures showed just how flat, or worse, these traditional markets are, and there was some disappointment over problems arising from a factory move by Derwent MacDee, a toilet seat maker. A full-year profit forecast of £14.5m (£13.4m) gives a prospective p/e of about 12 (or just under 11 on the issue price). The bargain factor has long gone, but the shares are less expensive than some in the building materials sector and the company has considerable strengths.

## Second half fall at Templeton Galbraith

By Philip Coggan, Personal Finance Editor

THE EFFECT of the Gulf crisis on world stock markets, combined with a sharp rise in costs, caused second half pre-tax profits at Templeton Galbraith Hansberger to fall by 17.3 per cent from $33.6m to $27.8bn (£14.6bn).

Full year profits for 1990 of the Bahamas-based fund management group, which reports in US dollars, fell only 1.1 per cent to $63.1m ($63.8m).

Total assets under management at the end of 1990 were $15.9bn, down from $17.5bn at the close of the previous year. The fall was caused by the downturn in markets which reduced funds by $2.1bn; this was countered by a net $500m inflow from the excess of mutual fund sales over redemptions and in additional client funds.

Although turnover actually increased to $175.6m ($156.7m), profits were pegged back by a 42 per cent jump in administrative expenses to $57.8m ($40.7m).

This increase followed the purchase of Dais Group, a US quantitative research group, and the conversion of Time Assurance into Templeton Life Assurance. Neither contributed to profit in 1990.

A lower tax charge of $5.04m ($8.38m) helped earnings per share rise to 36.3 cents (34.6 cents). The final dividend is being increased to 10 cents (9 cents) making a total of 15 cents (13 cents).

Mr Tom Hansberger, chief executive, in his outlook for the markets, said that "at no other time in the past 50 years have we been faced with such a period of potentially beneficial change.

"The erosion of communism continues to be a major influence in building worldwide economic growth. Over the long term, the trend towards free markets and greater prosperity will prevail."

● **COMMENT**

Those who backed Mr Templeton's fund management record when his company floated in 1986 have had scant reward so far. The shares, which closed at 216p yesterday, are just 1p higher than the issue price. But the future may be somewhat brighter. The company's funds under management and earnings per share have more than doubled since flotation; so the current share price can scarcely be classed as expensive. Fund managers prosper in rising markets and the recent bull run has duly allowed Templeton's shares to jump 20 per cent since January 1. And a rebound in the US dollar, which many expect, should also boost Templeton's shares. However, there will still be those who dislike the restricted availability of the stock and the Bahamas domicile; and there will be others who will want to wait to see how well the company handles its recent diversifications.

## Weak leg leaves Hays static at £27.5m

By David Owen

RESILIENT performances from two out of three divisions enabled Hays, the business services group, to report a marginal upturn to £27.5m in interim pre-tax profits.

The odd unit out was personnel, which registered a 35 per cent operating profit decline. The group said that "speedy action" had been taken in response to diminished demand and that all overheads had been "substantially reduced."

The weak leg in the tripod was sufficient to drag group operating profits for the six months to December 31 down by 5 per cent to £27.7m.

The marginal improvement at the taxable level from £27.3m came via a sharp reduction to just £200,000 (£1.9m) in the group's net interest costs. That was partly thanks to the crediting of £1.8m of income from interest caps on £120m of debt that the company had the foresight to put in place three years ago.

"It has been bloody difficult," said Mr Ronnie Frost, chairman and chief executive, admitting to being "a bit disappointed" at the marginal nature of the profits advance.

Turnover in the half year was fractionally down at £342m (£343m). Comparative figures have been prepared on a pro-forma basis on the assumption that the capital structure existing following Hays' October 1989 stock market listing had existed since July 1 1989.

By division, operating profits from distribution were somewhat below expectation at £14.1m (£13.5m). Commercial services, however, manifested strong growth to £6.9m (£5.4m), with the Britdoc document exchange network the largest contributor.

Personnel fell from £10.3m to £6.7m – a figure which masked a decline of less than 20 per cent in the group's key accountancy personnel business.

The group said that it was expecting year-end debt to be below the £24m level recorded at June 30 1990. Shareholders' funds have risen to approximately £104m.

Earnings per share amounted to 4.74p (4.7p). An interim dividend of 1.3p (1.15p) was declared – an increase of 13 per cent.

The shares, which have climbed steeply in recent weeks, closed down 1p at 122p.

● **COMMENT**

Last month's rapid advance in Hays' share price suggests that institutional awareness of the group's sound qualities as a defensive play is on the increase. Put bluntly, the Guildford-based company has shown that it can keep rolling along even with one wheel off its tricycle. The comparatively healthy state of its balance-sheet provides further grounds for confidence in the future. If there is a questionmark it is over whether or not the shares remain good value after their heady February gains. With full-year profits of around £58m forecast, the multiple of above 12 indicates they are not a snip. The group's track record is good enough to suggest that investment should still pay off for long-term holders, however.

## BTP adhesive buy

BTP, the specialist chemicals and industrial group, is buying Avalon Adhesives from ICI for £3.5m. The purchase is being funded via a vendor placing of 1.9m new shares at 180p each.

Avalon made pre-tax profits of £800,000 in 1990 on sales of £5.3m. Its tangible assets are valued at £2.4m.

## Ross moves back into the black with £989,000

ROSS GROUP, the USM-quoted electronics and packaging company best known for its headphones, moved back into the black with pre-tax profits of £989,000 for the year to December 31 1990. This compares with a pre-tax loss of £485,000 for the nine months to December 1989.

A series of acquisitions – Giltpack, Kirkhams, Cotswold Enterprises and Wesglade Electrics – broadened the company's product base and helped boost turnover from £6.14m to £20.07m.

The directors reported a recovery in the consumer electronics business, with controls introduced by the new board contributing to improved profitability.

Earnings per share came out at 4.3p (5p losses). There is a second interim dividend of 0.75p in lieu of a final, making 1.25p for the year (nil).

● Whittington, the giftware and greeting card distributor which is being acquired in a reverse takeover by Ross, reported pre-tax losses of £647,000 for 1990 compared with profits of £1.26m, writes Michiyo Nakamoto.

Turnover rose to £25.95m (£24.64m) but operating profit fell sharply to £235,000 (£2.24m). Losses per share were 2.1p (4p earnings). The dividend is being passed.

There was an extraordinary loss of £5.52m (£984,000) stemming from the disposal in November of Bonser, its Midlands-based subsidiary which manufactures bathroom fittings, and a provision against losses on the proposed disposal of Cooper Ludlam, a cutlery manufacturer.

Bonser's pre-tax losses were £401,000 while its interest charges comprised 60 per cent of the group's overall interest charges at £882,000.

Whittington is also selling Macsel, a profitable greeting cards distributor acquired for £6.6m in June 1989. This leaves it with Images and Editions, a greeting cards business acquired in April last year.

## Admiral 23% higher in spite of slacker demand

By Alan Cane

MARKED aversion to risks in a sector slippery with banana skins helped Admiral, the Surrey-based computing services company, to its fifth successive increase in earnings per share in spite of slackening demand in its key markets.

Pre-tax profits for the year ended December 31 were up 23 per cent to £3.28m while sales were up 33 per cent to £21.21m.

Earnings per share showed a 20 per cent increase to 19.4p and a recommended final dividend of 2.88p makes a 4.2p (3.5p) total.

The company had cash balances of £2.81m (£2.3m) at year-end and net interest on the cash contributed £495,000, an increase of 63 per cent on 1989, to pre-tax profits.

Admiral's chief markets are the defence and financial services sectors, both of which have experienced significant downturns in recent years.

Mr Clay Brendish, Admiral's chairman, said the company was lean and fit. He added that it had continued to grow strongly in defence and financial services because it had chosen to work in areas that had proved relatively recession proof.

● **COMMENT**

The recession is sorting out the sheep from the goats in computing services with a vengeance. Admiral's strength is its reluctance to take risks and the careful management procedures it has put in place to ensure that it is never knowingly overexposed. Nevertheless, with sales of over £20m it is reaching the point where it can no longer expect to sustain its growth in services pure and simple and a lot will depend on the rate of growth of its newly establish products division, Admiral Software, currently turning over about £1m . Analysts are suggesting pre-tax profits of £3.8m for 1991, and this seems perfectly achievable on the 1990 performance.

## Crown Comms set to reduce its debt

By Jane Fuller

CROWN Communications, the USM-quoted broadcasting group which revealed in January that its debts had mounted to £18m, is set to announce a much-needed inflow of funds.

It has reached a settlement with British Sky Broadcasting, the satellite television venture, over the cancellation of news and other current affairs programmes for British Satellite Broadcasting. BSB merged with Mr Rupert Murdoch's Sky Television last November.

The amount of compensation involved was described by BSkyB as not as high as the £4m which has been rumoured.

However, along with progress on the sale of stakes in commercial radio companies, the inflow of money will clearly ease the problems at Crown, which owns the LBC radio stations in London. An announcement is expected later this week.

After Crown disclosed an annual pre-tax profit of just £700,000 (£6.2m) and passed its final dividend in January, the share price sank to 23p. It has since recovered to 45p.



## Jupiter Merlin to reverse into Vantage

By Clare Pearson

JUPITER Tarbutt Merlin, the privately-owned fund management group best known for its green activities, plans to join the main market via a reverse takeover of Vantage Securities, an investment trust which it advises.

Vantage, currently capitalised at £2.6m, is acquiring all the share capital of JTM for £10.7m. The consideration is to be satisfied by the issue of 11.6m Vantage ordinary shares at 92.1p each, the trust's unaudited fully diluted net asset value at February 28.

Shares in Vantage, which is to assume JTM's name, were yesterday suspended at 86p and its warrants at 36p. The acquisition is subject to approval of its shareholders at an egm on March 28.

JTM, which was formed from the merger of three investment operations in the late 1980s, has about £426m worth of funds under management.

Mr John Duffield, JTM's chairman, said the company planned to expand after gaining its stock market listing, and in particular wanted more pension fund business.

Vantage said the reverse takeover would remove the constraint on growth caused by the discount to net assets at which investment trusts trade on the stock market.

The trust also announced a decline in NAV per share, before allowing for warrant-related dilution, of 32.9 per cent to 88.3p for the year to end-December. The dividend for the year is unchanged at 3.5p.

JTM acquired an ecological reputation after it merged with Merlin, a unit trust management company, in June 1989. It now manages two green investment vehicles.

It also has a research department involved in such activities as carrying out "green audits" of portfolios, typically on behalf of local authority pension funds.

## Restructured Aegis posts 67% increase

By Alice Rawsthorn

AEGIS, the revamped and reorganised media buying group, yesterday announced a 67 per cent increase in profits before tax and extraordinary items from £40.5m to £67.8m for 1990, despite a slowdown in the European advertising industry.

Mr Peter Scott, chairman and chief executive, said the group had "continued to build market share" across Europe throughout last year. The uncertainty caused by the Gulf war had "softened" the market in the first two months of this year, but Mr Scott was confident it would meet its original growth target by the end of the year.

Aegis was formed last spring after the old WCRS Group reduced its investment in advertising – by selling control of its agencies to Eurocom of France – in order to concentrate on media buying through Carat, the Paris-based buying group.

It also withdrew from public relations last autumn by selling Creamer Dickson International to Eurocom, but has since continued the expansion of its media buying interests across Europe and has also extended its sponsorship operations.

In fact, the shape of the group has changed so dramatically that it is difficult to draw meaningful comparisons between its 1989 and 1990 figures. However, turnover increased to £1.72bn (£592.56m) in 1990 and operating profits to £72.77m (£47.73m).

Undiluted earnings per share rose to 37.35p (28.0p) and fully diluted earnings to 25.62p (24.91p). The board proposed an increase in the final dividend to 3.1p (2.5p) making a total of 5.85p (2.5p).

Aegis paid reduced interest of £4.96m (£7.23m) on lower net debt – thanks to improved working capital and asset disposals – of £37m (£72m). However Mr Scott said the rate of debt reduction was likely to be "less dramatic" this year given that Aegis has "significant cash commitments".

The group has future liabilities of £86.3m for the vendors of Carat, all payable in cash apart from £38m which can be settled in either cash or shares. Mr Scott said the board was confident Aegis would be able to meet these payments through internal cashflow.

● COMMENT

Aegis is a complicated company, possibly a little *too* complicated for the stock market's taste. The combination of its switch in core business, a change of name and a stream of new shares has depressed its share price almost as much as the sob stories of the less successful members of the marketing services sector. This set of results was well in line with expectations and the cash position looks rather better than most analysts had anticipated. The City sees no reason for Aegis not to meet its forecasts of profits of £70m – and fully diluted earnings of 25.9p – this year. This leaves the shares - up by 5p to 170p yesterday - on a prospective p/e of 6½ still depressed by the prospect of issuing yet more new shares in payment for Carat.

Peter Scott: continuing to build market share

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Pool purchase price £/MWh (Programme Price for Trading on 06.03.91) | Pool purchase price £/MWh (Final Prices for Trading on 04.03.91) | Pool selling price £/MWh (Final Prices for Trading on 04.03.91) |
|---|---|---|---|
| 0030 | 15.98 | 13.37 | 13.57 |
| 0100 | 17.07 | 17.08 | 19.17 |
| 0130 | 18.46 | 29.83 | 32.21 |
| 0200 | 18.45 | 29.85 | 32.17 |
| 0230 | 18.21 | 29.83 | 32.15 |
| 0300 | 15.33 | 23.07 | 25.28 |
| 0330 | 15.42 | 19.66 | 27.80 |
| 0400 | 15.36 | 14.48 | 14.46 |
| 0430 | 14.86 | 13.42 | 13.42 |
| 0500 | 14.81 | 13.42 | 13.42 |
| 0530 | 14.82 | 13.43 | 13.43 |
| 0600 | 15.28 | 13.43 | 13.43 |
| 0630 | 15.93 | 13.42 | 13.42 |
| 0700 | 17.73 | 19.15 | 21.30 |
| 0730 | 19.41 | 25.52 | 27.88 |
| 0800 | 19.41 | 25.57 | 27.84 |
| 0830 | 19.87 | 25.60 | 27.79 |
| 0900 | 19.87 | 25.68 | 27.85 |
| 0930 | 20.76 | 25.84 | 28.01 |
| 1000 | 20.76 | 25.85 | 28.01 |
| 1030 | 20.76 | 25.81 | 27.97 |
| 1100 | 20.76 | 25.65 | 27.81 |
| 1130 | 20.76 | 25.64 | 27.81 |
| 1200 | 20.76 | 34.31 | 36.67 |
| 1230 | 20.76 | 34.28 | 36.62 |
| 1300 | 20.76 | 25.54 | 27.74 |
| 1330 | 20.76 | 25.52 | 27.76 |
| 1400 | 17.41 | 25.52 | 27.76 |
| 1430 | 17.07 | 25.52 | 27.77 |
| 1500 | 16.98 | 25.52 | 27.79 |
| 1530 | 17.07 | 34.35 | 36.59 |
| 1600 | 17.07 | 25.58 | 27.83 |
| 1630 | 20.76 | 26.26 | 28.65 |
| 1700 | 20.76 | 30.12 | 33.34 |
| 1730 | 21.37 | 44.07 | 47.79 |
| 1800 | 21.87 | 43.82 | 47.41 |
| 1830 | 29.17 | 40.39 | 43.28 |
| 1900 | 29.17 | 26.16 | 28.37 |
| 1930 | 29.17 | 25.61 | 27.74 |
| 2000 | 27.10 | 25.53 | 27.68 |
| 2030 | 23.11 | 25.52 | 27.71 |
| 2100 | 23.11 | 25.52 | 27.76 |
| 2130 | 23.11 | 22.36 | 24.54 |
| 2200 | 23.11 | 21.64 | 23.80 |
| 2230 | 18.69 | 19.38 | 21.50 |
| 2300 | 15.42 | 14.78 | 14.78 |
| 2330 | 14.85 | 13.40 | 13.40 |
| 2400 | 14.50 | 13.25 | 13.25 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

# UK COMPANY NEWS

## Knight to round off a remarkable career

**Andrew Bolger** on a changing role at Inchcape

THERE WAS a touch of the Lord Hansons about yesterday's announcement from Inchcape, the services and marketing group, that it is to split Sir George Turnbull's roles of chairman and chief executive next year.

Just as Lord Hanson recently said he intended to carry on as chairman of Hanson, the industrial conglomerate, for another six years, Sir George said he would remain as chairman of Inchcape until 1997, when he will be 70.

Sir George said he would not be an executive chairman, as he was determined not to get "under the feet" of the man who will be the group's new chief executive, Mr Charles Mackay, who currently runs the Far East operations, Inchcape Pacific.

On the other hand, Sir George – a dynamic veteran of the British motor industry – said he would certainly not describe himself as a non-executive chairman.

The next six years will round off a remarkable career. Sir George, who was knighted last year, rose to be come managing director of British Leyland but quit in 1973 after disagreeing with plans by the board, under Lord Stokes, to centralise the business.

He went off to South Korea to oversee the development of the Hyundai Pony, then from 1974 helped to create a motor industry in Iran for the Shah's regime. In 1979 he returned to rationalise Talbot UK for Peugeot, the French motor group, and joined Inchcape in 1984, *becoming chairman and chief* executive two years later.

Since joining the group, Sir George has transformed a sprawling rag-bag of trading

Sir George – splitting his executive roles

companies, still stuck in the colonial era, into a tightly managed group with a presence in more than 60 countries. He will oversee the reorganisation of the group, also announced yesterday, into four main business streams, each with a London-based director – motors, marketing and distribution, services and resources.

By staying on until 1997, Sir George will also bring Inchcape to two watersheds which are crucial for the future of the group – the formal hand-over *of Hong Kong to China in 1997* and the taking of control by Toyota, the Japanese car manufacturer, of Toyota (GB), its Inchcape-owned British distributor.

Although Hong Kong and China now account for only 15 per cent of Inchcape's profits, Sir George remains extremely bullish about the trading prospects of the crown colony, even after the Chinese takeover.

Sir George actively lobbied Mr John Major, the then Foreign Secretary, to grant British passports to as many Hong Kong residents as possible. He did so on the basis that granting British passports as an insurance policy was the best way of persuading Hong Kong residents to stay – and of persuading the Chinese not to do anything which would make Hong Kong residents wish to leave.

Sir George's experience of the Far East also informed his decision to strike a deal with Toyota, whereby the Japanese manufacturer paid £60m to gain control of its Inchcape-owned British distributor. Toyota took a 5 per cent stake in Toyota (GB) last year, will take another 20 per cent in *1993, and the final 20 per cent* at the start of 1998.

Sir George said he knew he would have to reach a deal with the Japanese group when it decided to make Toyotas in Derbyshire. He said: "There was no way the Japanese would build a manufacturing plant here, and not have control of the distribution."

His judgement seems to be vindicated by the expensive wrangle which has broken out between Nissan, the Japanese motor group, and Nissan (UK), the private company owned by Mr Octav Botnar which distributes its vehicles in Britain.

Although Sir George's level of renumeration will be set by a *sub-committee of the board,* no-one expects that the chairman will suffer a pay cut.

In 1989, the latest period for which figures are available, he earned £295,000. By the same token, no-one really expects *him to work any less hard: Sir* George aims to be at his desk every morning by 7.30am.

The most Sir George will concede is that he hopes to play a little more golf during his globetrotting to monitor *the proposed new structure of* Inchcape.

## Micrelec shares dive on profits warning

*SHARES OF Micrelec, the* USM-quoted control and instrumentation group specialising in the oil business, dived 46p to 115p yesterday following a profits warning and news of a dwindling order book.

The directors said the traditional second half increase in sales had failed to materialise, major orders anticipated for the end of March had not been received and the level of activity in the installation business had been well below expectations.

As a consequence, they warned that the results for the year ending March 31 were now expected to be "below current market expectations".

*Steps had been taken to* reduce the cost base, including some redundancies, the effects of which would be incurred in the current year.

## GrandMet sells pizza chain

Grand Metropolitan, the food, drinks and retailing group, has sold its Perfect Pizza chain of 150 franchised and four managed units to Scotts Hospitality of Toronto, writes Andrew Bolger.

Scotts said the deal, thought to be worth £5m-£6m, brought it the largest take-away and delivery pizza chain in England.

The sale is part of GrandMet's strategy of tightening the focus of its retail operations. Last month it sold two UK restaurant chains, Pizzaland and Pastificio, for an estimated £20m.

Scotts has four divisions – *food services*, hotels, transportation/warehousing and photography. Its UK portfolio includes Commonwealth Hotels International, which owns and operates 11 Holiday Inn hotels.

## Borthwicks

Borthwicks has paid £2.4m cash for the freehold of Barnett & Foster's factory and site at Wellingborough. Vendor was Prudential Corporation.

## Watmoughs posts record £11.6m in resilient market

**By Michiyo Nakamoto**

RESILIENCE IN the high quality printing market helped Watmoughs, which produces *up-market magazines* such as Country Living and Harpers & Queen, post record profits last year for the second year running.

Pre-tax profits in the year to 31 December rose to £11.62m from £10.12m previously.

This follows a 49 per cent increase in pre-tax profits in 1989.

*Turnover*, which exceeded £100m for the first time, was up 18 per cent to £101.96m (£86.34m).

Profit margins held firm at 13.8 per cent in the second half when economic conditions deteriorated overall.

Mr Patrick Walker, chairman and chief executive, said that the group's high level of business in the high quality printing market had led to last year's buoyant performance despite the difficult trading environment.

Neither magazines at the top end of the market nor companies for which it prints had reduced output or quality to any marked degree, he said.

The company's volume business, which includes printing the annual report and accounts for companies such as British Gas, which requires a print run of *almost* three million, had also paid off.

Although competition in the printing industry overall was increasing, Watmoughs benefitted from being one of the few printers in the UK with the capacity to do high quality, high volume jobs.

During the year, the group renewed its You magazine colour supplement *contract with* The Mail on Sunday and added Cosmopolitan, Woman's Journal and The Times Saturday Review to its accounts.

A final dividend of 7.75p per *share is recommended to make* a total of 10.25p for the year.

This represents an increase of 20 per cent after adjustment is made for the one-for-five capitalisation issue made in April. Earnings per share after adjustment for the scrip issue rose to 32.45p (29.71p).

The company plans to continue expansion in continental *Europe*. It took a 57 per cent stake in a Hungarian printing company in February and is currently reviewing two joint venture opportunities in Spain for a deal which could be concluded within a year.

Another targetted area for expansion is with the newly privatised companies where it has already concluded one contract.

## Ashley makes German acquisitions for £5.7m

**By John Thornhill**

ASHLEY GROUP, the Spanish food retailer and window blinds group, is extending its activities into Germany through the acquisition of two window blind companies for £5.7m in cash.

The two businesses are Haller, a Stuttgart-based window blind distributor, and Boden Jalousien, a window blind manufacturer, based near Frankfurt.

The two companies will be combined and run as the Haller Group under the direction of Mr Dietrich Boden, the managing director of the Boden Jalousien business.

In 1990 these two businesses made pre-tax profits of DM 3m (£1m) on sales of DM 12.1m *(£4.1m). Combined net assets at* completion were DM 5m (£1.7m).

Mr Tony Butler, chief executive of Ashley, said the acquisitions gave the company access to the very strong German *market*. Ashley already ran businesses in France and the Netherlands and the integration of those Continental companies would bring significant financial benefits, he said.

Ashley's shares rose 4p to 112p on the announcement.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

**TODAY**

Interims- Close Bros., Galliford, Haggas (John), Pathfinder, Sinclair (W.).
Finals- Automated Security, CRH, Cadbury Schweppes, Fairey, GKN, Heywood Williams, *INSTEM, Pentland, Pickwick, Stat-Plus, Trade* Indemnity, Zambia Cons. Copper Mines.

**FUTURE DATES**

| | |
|---|---|
| **Interims-** | |
| Mickdegate | Mar. 13 |
| TSW-Television South West | Mar. 14 |
| Yorkshire Television | May. 21 |
| **Finals-** | |
| *Brooks Service* | *Mar. 21* |
| Emess | Mar. 7 |
| Bluebird Toys | Mar. 18 |
| Carbo | Mar. 18 |
| Goal Petroleum | Mar. 27 |
| *Northern Foods* | Jun 11 |
| Silentnight | May. 1 |









# NEWS DIGEST

## Second-half recovery for Clinton Cards

AS FORECAST at the interim stage Clinton Cards, the greetings card retailer which graduated from the USM to the main market in May 1990, reported another successful year.

The company, which revealed a loss of £173,000 at *the halfway stage, turned in a* 46 per cent advance – from £3.44m to £5.02m pre-tax – at the January 26 year-end.

Turnover, including VAT, grew to £59.05m (£38.41m) and at the operating level profits were up 44 per cent from £4.02m to £5.77m.

The net interest charge rose to £750,000 (£584,000) and after tax of £1.77m (£1.13m) earnings per share came out at 20.4p (16.66p). The recommended final dividend is 3.75p, making 5.25p (4.23p).

Mr Don Lewin, chairman, said 62 further outlets had been added in the period and the group traded from 225 shops at the year-end. The acquisition in March 1990 of Selectacard in the north of England marked the company's first move to the region.

## Wyvale Garden Centres 29% ahead

Wyvale Garden Centres, improved pre-tax profits by 29 per cent from £1.64m to £2.1m in 1990.

Mr Christopher Powell, the chairman, said the recession and continuing poor economic climate did not diminish the board's confidence in the long-term growth of the garden centre sector of leisure retailing. Five additional garden centres would become fully operational during 1991, he said.

The directors are recommending a final dividend of 2.25p, making 3.375p for the year. *Earnings per share* emerged at 8.6p (6.3p adjusted).

Turnover rose by 12 per cent to £18.25m (£16.27m). The company's shares are traded on the USM.

## Walter Lawrence in purchase and sale

Walter Lawrence, with interests in housing development, contracting and merchanting, is to acquire the 49 per cent interest in West Venture Development it does not already own for around £7.8m in cash.

Consideration will be provided from the proceeds of the sale of Tricom Supplies, WL's *merchanting and plumbing* supplies operation, which is expected to realise some £6.7m. The balance will be provided from WL's own resources.

## Further growth for Metal Bulletin

Further growth in the year to end-December was reported by Metal Bulletin, the USM-quoted international business publishing company.

Profits before tax rose from £1.41m to £1.64m and came *from increased turnover of* £10.8m (£9.97m).

Mr Trevor Tarring, chairman, said that 1990 had seen the installation of a computerised editorial system to which all journals were being transferred, and work had now commenced on a £500,000 programme to upgrade the editorial offices.

An increased final dividend of 4.5p (3.9p) is proposed, making a total of 6.9p (6p) for the year. The dividend comes from earnings per share up from 10.1p to 12.2p

## Interlink Express declines to £3.1m

*Profits before tax of* Interlink Express, the USM-quoted overnight parcels delivery service, declined by 13.4 per cent from £3.58m to £3.1m in the six months to December 31 1990.

Turnover increased by 8.6 *per cent to £25.5m (£23.48m).* The interim dividend is maintained at 4.125p, payable from reduced earnings of 12.17p *(14.28p) per share.*

Mr Richard Gabriel, the chairman, said the group had achieved an acceptable, albeit reduced, profit margin and had improved its cash position with net borrowings reduced from £2.1m to less than £700,000 at end-December.

The outlook for business in the UK continued to be discouraging, he said. However, he expected the results for the second half to be in line with the comparable period last time.

## Pacer Systems advances 30%

Pacer Systems, the US electronics and aerospace company which is quoted on the USM, lifted pre-tax profits by 30 per cent, from $1.2m to $1.56m (£816,000) in 1990.

Earnings per share improved to 18 cents (14 cents) and the directors have declared a final dividend of 3.5 cents (3 cents)making 6.5 cents (6 cents) for the year.

Mr John Rennie, the chairman, said the recent Gulf war had helped to emphasise two key Pacer business areas – war gaming and air data systems. He added that while the company's military markets remained relatively strong it would proceed with its five-year goal to increase commercial sales as a proportion of all sales.

Total revenue amounted to $27.94m ($25.06m).

## Robert Fraser reorganisation

As part of the arrangements *for the reorganisation of Rob*ert Fraser Group under Stockstyle, a new holding company, Stockstyle has been granted a conditional option to acquire Landhurst, an Ensign Trust offshoot which owns 21.35 per cent of Sterling.

Robert Fraser Group already owns 29.35 per cent of Sterling. The Takeover Panel has confirmed the option does not impose an obligation to make a mandatory offer.

## Simon sells US arm for $18.04m

In a deal worth $18.04m (£9.5m), Simon Engineering, the engineering, environmental and industrial services group, has sold Gear Products of Tulsa, Oklahoma.

The purchaser, Blount, of Montgomery, Alabama, is to pay $14.56m on completion, with the balance of $3.48m over four years.

*In 1989 Gear Products* made pre-tax profits of $1.69m from sales of $20.95m.

Mr Brian Kemp, Simon's chief executive, said that within the Blount organisation Gear Products would have greater freedom to develop. Simon would continue to use Gear as a supplier, he added.

## Murray Income net asset value lower

Murray Income Trust had a net asset value of 222.6p at December 31 compared with 272.8p a year earlier.

Net revenue for the half year improved from £4.26m to £4.5m for earnings per share of 5.4p (5.13p). As already announced, interim dividends totalling 6.3p will be paid for the year to June 30 1991 and a final of 3.6p is forecast.

## COMMODITIES AND AGRICULTURE

# US agricultural exports expected to plunge $3bn

By Nancy Dunne in Washington

US FARM exports, driven in the past by low prices and export subsidies, are expected to plunge by $3.1bn this year despite the additional boost provided by the devalued dollar.

The US Department of Agriculture is predicting that farm exports will fall to $37bn, down $1.5bn from its November forecast. Export volume is expected to plummet to 131m tonnes, from 148.7m tonnes last year.

The brightest spot in the export picture is a spurt in sales of high-value exports, boosted by economic growth in major markets and the lower value of the dollar. A good almond crop in California and a poor one in Spain has provided an unexpected boom in nut sales. In the first quarter of the 1991 fiscal year, sales of fruits, vegetables and nuts to the EC rose by $86m.

The USDA attributes the bleak overall export outlook to increased production in two of the largest US markets: China, which is reporting record grain output, and the Soviet Union, where production is at near record levels, though there are delivery problems .

The sales picture has depressed prices. With both lower prices and volume for maize and wheat in 1991, the value of US grain and feed exports is likely to decline by $3.4bn, the USDA said. Oilseed exports are expected to slide as well – from $6.2bn to $5.6bn.

However, USDA analysts are expecting strong sales of cotton. Prices are tied with the 1980 record and world stocks are so low that most importers, particularly China, are turning to the US for supplies.

Dairy sales are also likely to surge, but most will be food aid provided by the US government. Prices are so low that producers have been turning over their nonfat dried milk to the government under the US price support scheme.

US farm imports are expected to increase their slow steady climb, which have gone from $21bn in 1985-86 to $22.5bn in 1990-91. The overall US farm trade surplus is due to fall from $17.6bn last year to $14.5bn.

● Mr Edward Madigan, the administration's appointee as US Agriculture Secretary assured the Senate Agriculture Committee yesterday in his confirmation hearing that he would be a strong advocate for farmers in global trade talks.

# Seeking oil among the mangroves

**William Keeling** watches a high-tech survey in the Niger Delta

THE MOTOR boat hugged the ox-bow curves of the river, its wake scuttling towards the shoreline. The young man at the wheel of the boat, impassive behind a heavy pair of reflective sun-glasses, swung the craft into an adjoining tributary. In the 50-minute journey he has navigated through a maze of waterways, all of which to the casual observer appear identical.

As Humphrey Bogart put it to Katherine Hepburn in the classic film, the African Queen, "all the channels we've lost, all the twisting and turning we've done: we may come out back where we started, if we come out at all". If Mr Bogart had borrowed a Nigerian boatman from the oil-exploration group Western Atlas International, he could have saved himself an awful lot of trouble.

In the Niger delta, the swamps are formed by mangrove trees and the river's winding tributaries stretch for thousands of square kilometres. But never once is there a shadow of doubt that the boatsman knows his way.

Western Atlas International is a US-based company subcontracted by the Shell Development Petroleum Corporation of Nigeria to conduct three-dimensional seismic surveys of its swamp concessions. The technology of 3-D surveys has been available for the past decade but Western Atlas is breaking new ground in its use in the difficult terrain of the mangrove swamps.

Oil-exploration used to be a matter of intuition and luck. In the early 1930s a controlled underground explosion would be monitored by a single seismic receiver. It is the anomalies in the signal which indicate the make-up of the earth's structure and by the 1960s the number of receivers per detonation numbered twenty-four.

With the latest 3-D technology, four rows of 120 receivers each are used. The system allows experts to analyse the geo-physical sub-structure in intricate detail and to pinpoint potential pockets of oil with increasing accuracy.

A huge advance in electronic circuitry has made possible the increase in the number of receivers from which the data is collected. The source of the signal is a 2 kg lump of dynamite exploded 51 metres into the ground. The subsequent signal is picked up by the receivers and transmitted via electronic cable or optical fibre to a nearby exploration barge where it is recorded on magnetic tape.

The information on the tape then goes through many months of processing by computer. The end result is a three-dimensional databank of the terrain to a depth of 4,500 metres, which allows exploration analysts to study any section they choose from whatever angle they desire.

The practicalities of the 3-D survey in a mangrove swamp belie the neatness of the theory. As the motor boat nudged gently into the muddy bank, a rancid stench of rotting vegetation wafted over its occupants.

Mr Segun Ogumwumi, the exploration specialist of the team, stepped from the boat and sank up to his knees in slime. One nasty squelch later and Mr Ogumwumi had sunk to his waist. He grasped a mangrove branch and, with considerable effort, hauled himself on to not very dry land.

The swamp terrain, with the smell and consistency of crude excrement, drives home just how valuable the crude oil beneath it is to the human world. A short walk from the boast was a two-metre wide path, slashed through the interweaving mangrove, known as a seismic line.

It is along these lines that holes for laying the dynamite are drilled and receivers are positioned. The purpose of the team was to detonate a charge. Having connected two wires to a detonator box, the men waved red rags above their heads, shouting, "away, away, away!" A dull boom resounded, the ground quivered like jelly and a 30 ft foot spout of water rose through the air.

Simultaneously, along 24 km of live cables the receivers returned their data to the waiting exploration barge.

At Shell's regional headquarters in Port Harcourt, the work continues. Shell is investing $10m in new processing facilities over the next three years. A new computer has recently been installed to "crunch numbers", as one technician explained. It is the size and shape of a chest-freezer and, with its 16 gigabyte capacity, is more than 30 times faster than its predecessor.

The data it produces is coaxed and nurtured by the geology department of Shell's operations into images of the terrain that shatter any illusion that might be held that oil-fields, at least in Nigeria, are underground lakes. Instead, a Nigerian oil-field is a mass of porous rock in which oil settles behind faults and under non-porous layers.

It is over these pictures that the analysts get excited, pointing to reddish blobs on the computer screen and running fingers along possible faults. The 3-D technology not only increases the likelihood of finding oil, it yields substantial savings in development costs.

As Mr John Fowler, head of production in the geology department, explained, "whereas previously it might have taken 50 wells to know what the structure of a field was like, now we can do it before putting a well in. Save one bad well and you've paid for your survey costs".

The 3-D seismic surveys offer far greater analysis of a field's probable reserves. Although the survey may conclude that a field is smaller than anticipated, Shell officials report that the data usually reveals pockets of oil which might otherwise have gone undiscovered. It also allows wells to be positioned far more accurately. Following a 3-D seismic survey at its Nembe field, Shell found millions of barrels of oil in reservoirs that had previously drawn dry. The men in the mangrove swamps, living for weeks in muddy isolation, had done their job.

Ashley Ashwood

The blast team prepares for the shot-firing that will be monitored by 480 seismic receivers

# Tin producers begin meeting

LEADING TIN producing countries yesterday began a four-day meeting on new measures to reverse the global tin stock build-up and arrest sliding prices, reports Reuters from Kuala Lumpur.

Officials from the seven-member Association of Tin Producing Countries said they would also review efforts to limit exports to underpin sagging tin prices.

The ATPC's executive committee met briefly before adjourning for a sub-committee meeting to review tin export and stock statistics, a delegate said. The key issue of export control review is expected to come under discussion today.

The ATPC's members – Australia, Bolivia, Indonesia, Malaysia, Nigeria, Thailand and Zaire – accounts for 60 per cent of world tin output. Nigeria and Zaire did not attend the meeting. Officials from Brazil, the world's largest producer, attended as observers but China, another non-member, did not send any observers.

Delegates said the meeting would assess the ATPC's latest export cutback drive and review the performance of its previous cutback measures.

The ATPC agreed in October to cut export quotas by 6 per cent in 1991 to 95,849 tonnes from 101,967 in 1990 to help trim stocks and buoy prices.

A Malaysian delegate said that the ATPC's export limits were not sufficiently stringent to reverse the continuing build-up in stocks, currently estimated at more than 45,000 tonnes, and to arrest falling prices.

"The closure of many tin mines in Malaysia and other ATPC countries has cut down production drastically," the delegate said. "But the market has not been moving upward."

**LME WAREHOUSE STOCKS**
(As at Monday's close)
tonnes

| | | |
|---|---|---|
| Aluminium | −823 | to 324,925 |
| Copper | +5,075 | to 207,850 |
| Lead | +300 | to 73,900 |
| Nickel | +96 | to 6,282 |
| Zinc | −550 | to 56,450 |
| Tin | −70 | to 20,105 |

# Australian metals group in cost-cutting excercise

By Kevin Brown in Sydney

MOUNT ISA Mines, the Australian base metals producer, said yesterday it had won union agreement for plans to cut operating costs at its Mount Isa and Hilton mines in Queensland by A$100m a year.

MIM said the cost-cutting programme would be aimed at increasing productivity through more flexible working practices. However, several hundred of the mines' 5,000 workers are expected to lose their jobs.

"Everyone recognises that major changes are essential to maintain the international competitiveness of the Mount Isa operation," said Mr Barry Sullivan, general manager of the Mount Isa/Hilton complex.

"The workforce will undoubtedly be reduced, initially by non-replacement of people who leave and retire, but the extent of the reduction will depend on the success of all the measures implemented," Mr Sullivan said.

MIM's joint consultative committee, which includes union and other workforce representatives, said it accepted that "major structural changes" were necessary for the long term survival of the Mount Isa complex.

The announcement follows a 64 per cent fall in MIM's interim net profit to A$67.5m for the six months to December. Analysts are forecasting a similar fall in profits for the full year. The company said its earnings were under pressure because of a sharp decline in base metal prices, the relatively high value of the Australian dollar and increasing international competition from efficient new mines such as the Escondida copper mine in Chile.

MIM is spending about A$500m at Mount Isa/Hilton over the three years to 1992 to increase the efficiency of concentrating and smelting equipment. The complex produces about 11m tonnes of zinc, copper, lead and silver ore per year.

MIM recently announced 150 redundancies at its loss-making Collinsville coal mine in Queensland's Bowen Basin coal field, and plans to suspend operations at the Tom's Gully gold mine near Darwin later this year when current open pit reserves are exhausted.

# Queensland coal's cyclone havoc

By John van Os in Sydney

THE AFTERMATH of the unfortunately named cyclone Joy has created havoc with coal production and shipments from Queensland's northern ports. In February these were down to 4.2m tonnes, compared with nearly 5.3m tonnes in the same month last year.

With annual exports of around 60m tonnes Queensland accounts for well over 15 per cent of the world's sea-borne trade in coal and under normal circumstances the drop in Queensland exports would have affected prices. However, because of the current glut in both steam coal and coking coal stocks, these have drifted down rather than up and it is feared that the tonnages lost during February will not be made up at a later date.

This could have a severe impact on the profitability of the Queensland producers who recently accepted a US$1 a tonne price drop from Japanese customers for long term contracts for the 12 months beginning April 1.

The combination of lower prices and reduced output is a savage blow to MIM Holdings, which who ventured into coal in a big way during the early 1980s. It has yet to show a profit on its massive investment.

The other major loser is the BHP subsidiary, BHP-Utah Coal, Australia's largest producer with annual exports of around 33m tonnes, of mostly coking coal. Its shipments during January and February this year fell from more than 5.9m tonnes to just over 5m tonnes.

While heavy rain early in the year is normal in what is locally referred to as the Big Wet, this year's downpour was a surprise. Since Christmas the region has recorded about 3 metres (120 inches), which has flooded pits and caused the collapse of stockpiles at ports and mines as well as disrupting transport following several railway slippages.

At BHP-Utah's Goonyella mine more rain fell in the first three days of February than the highest previously recorded for the whole month. The downpour has raised the water table thus frustrating dewatering of the open cast mines.

Accurate statistics are not yet available but BHP's latest production report gives an indication. The company's share of output from the seven Bowen Basin mines controlled by BHP-Utah Coal was just over 1m tonnes during January, compared with more than 1.6m tonnes in January last year.

This 40 per cent decrease, industry officials say, is typical of most open cast mines in North Queensland, and it is expected that February's drop in production will be just as severe.

The executive director of the Queensland Chamber of Mines, Mr Michael Pinnock, said it would not be known until much later in the year if the lost output could be made up. "In the meantime the loss of production is seriously affecting the cash flow of the coal mining companies," he said.

Shipments have been hit hard due to collapsed stockpiles, rough seas and coal being too wet to load. BHP's Hay Point loader near Mackay has been hit the hardest. Most shipments from this terminal in the last couple of months have been from direct transfers from trains rather than stockpiles. This suggests that customers may have accepted coal that was not up to specification as conditions at the port would have prevented blending of different types of coal.

## MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

**ANTIMONY:** European free market 99.6 per cent, $ per tonne, in warehouse, 1,715-1,770 (1,710-1,770).

**BISMUTH:** European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-2.90 (same).

**CADMIUM:** European free market, min. 99.5 per cent, $ per lb, in warehouse, 2.00-2.30 (2.20-2.40).

**COBALT:** European free market, 99.5 per cent, $ per lb, in warehouse, 13.50-14.10 (13.90-14.50).

**MERCURY:** European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 135-150 (same).

**MOLYBDENUM:** European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.50-2.60 (same).

**SELENIUM:** European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

**TUNGSTEN ORE:** European free market, standard min. 65 per cent, $ per tonne unit (10 kg) $WO_3$, cif, 45-51 (same).

**VANADIUM:** European free market, min. 98 per cent, $ a lb $V_2O_5$, cif, 2.45-2.55 (2.55-2.70).

**URANIUM:** Nuexco exchange value, $ per lb, $U_3O_8$, 9.70 (same).

## WORLD COMMODITIES PRICES

### MARKET REPORT

Nickel prices fell sharply yesterday on the LME as warehouse stocks rose to 6,282 tonnes, the highest level since July last year. Dealers said the likelihood of further increases in stocks is expected to lead to support levels being tested in the short-term. Platinum closed below $400 a troy ounce on the London bullion market after overnight selling in the Far East spilled over intd Europe. In New York the April platinum futures contract was also below $400 at midday. Dealers said the Far Eastern traders had a deadlock on precious metals and seemed to be dictating the action. A close below $400 on Nymex would lead to further liquidation. Freight futures on London Fox rose from the opening as both single voyage and time charter rates continued to firm in the physical market, dealers said. The firm trend is expected to continue at least until the weekend. Monday's report that the key US Gulf to Japan grain run had been fixed at $28.50 compared with $26 last week was confirmed. London cocoa prices closed just below the day's highs as the market continued on its upward path and further gains look possible if key origins remain on the sidelines, dealers said.

**Compiled from Reuters**

### London Markets

**SPOT MARKETS**

| Crude oil (per barrel FOB) | | + or - |
|---|---|---|
| Dubai | $16.35-6.55t | +.275 |
| Brent Blend (dated) | $20.10-0.20 | -0.05 |
| Brent Blend (April) | $19.60-9.70 | +0.05 |
| W.T.I. (1 pm est) | $20.56-0.60t | +.325 |
| **Oil products** (NWE prompt delivery per tonne CIF) | | + or - |
| Premium Gasoline | $253-258 | +10 |
| Gas Oil | $208-212 | +4 |
| Heavy Fuel Oil | $72-74 | -½ |
| Naptha | $217-220 | -3 |
| Petroleum Argus Estimates | | |
| **Other** | | + or - |
| Gold (per troy oz)♣ | $365.30 | -0.65 |
| Silver (per troy oz)♣ | 384.50c | -0.50 |
| Platinum (per troy oz) | $398 | -7 |
| Palladium (per troy oz) | $83.55 | -1.95 |
| Aluminium (free market) | $1545 | +10 |
| Copper (US Producer) | 117c | |
| Lead (US Producer) | 80c | |
| Nickel (free market) | 385c | |
| Tin (Kuala Lumpur market) | 14.92r | -0.05 |
| Tin (New York) | 257c | -3 |
| Zinc (US Prime Western) | 62c | |
| Cattle (live weight)† | 107.83p | +1.38* |
| Sheep (dead weight)† | 153.14p | +2.74* |
| Pigs (live weight)† | 83.23p | -0.06* |
| London daily sugar (raw) | $235w | +3 |
| London daily sugar (white) | $315.0w | +2.5 |
| Tate and Lyle export price | £230 | |
| Barley (English feed) | £123.0 | +1.5 |
| Maize (US No. 3 yellow) | £172 | +1 |
| Wheat (US Dark Northern) | £93 | |
| Rubber (Apr)♥ | 48.50p | -0.25 |
| Rubber (May)♥ | 49.00p | -0.25 |
| Rubber (KL RSS No 1 Apr) | 228.5m | |
| Coconut oil (Philippines)§ | $370q | |
| Palm Oil (Malaysian)§ | $365x | |
| Copra (Philippines)§ | $230 | |
| Soyabeans (US) | £146 | |
| Cotton "A" Index | 85.45c | -0.55 |
| Wooltops (64s Super) | 450p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Apr/May. t-Apr. w-Mar/Apr. x-Jan/Feb. z-Apr/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

**SUGAR – London FOX** ($ per tonne)

| Raw | Close | Previous | High/Low |
|---|---|---|---|
| May | 209.40 | 206.60 | 209.40 203.60 |
| Aug | 206.60 | 203.60 | 206.60 200.40 |
| Oct | 201.60 | 200.20 | 201.60 197.60 |
| Dec | 200.20 | | 200.00 |
| Mar | 195.20 | 197.20 | 199.00 191.00 |
| May | 197.80 | 198.20 | 200.00 192.00 |
| **White** | **Close** | **Previous** | **High/Low** |
| May | 307.0 | 307.0 | 307.0 304.5 |
| Aug | 304.5 | 303.0 | 304.5 302.5 |
| Oct | 278.0 | 276.0 | 277.5 267.0 |
| Dec | 270.0 | 270.0 | 262.0 |
| Mar | 275.0 | 273.0 | 275.0 263.5 |

Turnover: Raw 1928 (1828) lots of 50 tonnes. White 1882 (602)
Paris- White (FFr per tonne): May 1608, Aug 1605, Oct 1471.

**CRUDE OIL – IPE** $/barrel

| | Latest | Previous | High/Low |
|---|---|---|---|
| Apr | 19.65 | 19.63 | 19.75 19.15 |
| May | 18.95 | 18.77 | 18.98 18.35 |
| Jun | 18.31 | 18.18 | 18.36 17.80 |
| Jul | 18.06 | 17.80 | 18.08 17.87 |
| Sep | 18.18 | 17.96 | 18.18 |
| IPE Index | 19.61 | 18.49 | |

Turnover 14060 (23819)

**GAS OIL – IPE** $/tonne

| | Latest | Previous | High/Low |
|---|---|---|---|
| Mar | 190.75 | 189.00 | 190.75 188.00 |
| Apr | 175.50 | 175.50 | 177.50 172.50 |
| May | 168.25 | 168.00 | 169.00 166.50 |
| Jun | 164.00 | 165.00 | 165.25 163.50 |
| Jul | 166.00 | 166.50 | 167.00 165.50 |
| Aug | 169.00 | 168.50 | 169.00 167.00 |
| Sep | 170.50 | 170.00 | 170.50 170.25 |
| Oct | 172.00 | 171.00 | 172.00 |

Turnover 7587 (5056) lots of 100 tonnes

**JUTE**
C and I Dundee BTC $540, BWC $560, BTD $495, BWD $500; C and I Antwerp BTC $520, BWC $520, BTD $480, BWD $460.

**COTTON**
Liverpool-Spot and shipment sales amounted to 178 tonnes for the week ending 1 March, against 264 tonnes in the previous week. Trading was quiet with interest being shown mainly in West African, American and Turkish growths.

**COCOA – London FOX** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 626 | 609 | 623 609 |
| May | 650 | 639 | 656 640 |
| Jul | 680 | 668 | 684 670 |
| Sep | 701 | 689 | 705 694 |
| Dec | 729 | 722 | 734 722 |
| Mar | 754 | 748 | 760 750 |
| May | 774 | 768 | 775 |

Turnover: 9028 (4263) lots of 10 tonnes
ICCO Indicator prices (SDRs per tonne). Daily price for Mar 4 850.09 (842.64) 10 day average for Mar 5 850.56 (853.73)

**COFFEE – London FOX** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 522 | 522 | 522 518 |
| May | 546 | 544 | 547 540 |
| Jul | 561 | 562 | 564 558 |
| Sep | 580 | 580 | 580 575 |
| Nov | 594 | 596 | 592 |
| Jan | 610 | 615 | 609 608 |
| Mar | 625 | | 626 |

Turnover:4842 (3154) lots of 5 tonnes
ICO Indicator prices (US cents per pound) for Mar 4: Comp. daily 71.81 (72.11). 15 day average 71.81 (71.74)

**POTATOES – London FOX** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Apr | 131.0 | 128.0 | 131.9 128.5 |
| May | 157.5 | 153.0 | 158.0 150.0 |

Turnover 447 (176) lots of 40 tonnes.

**SOYAMEAL – London FOX** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Jun | 113.00 | 114.00 | 113.00 112.50 |
| Aug | 115.00 | 116.50 | 115.50 115.00 |
| Oct | 116.00 | | 116.00 |

Turnover 130 (45)lots of 20 tonnes.

**FREIGHT – London FOX** $10/index point

| | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 1660 | 1647 | 1660 1655 |
| Apr | 1497 | 1478 | 1498 1485 |
| Jul | 1177 | 1166 | 1178 1175 |
| Oct | 1270 | 1265 | 1270 |
| BFI | 1726 | 1714 | |

Turnover 256 (163)

**GRAINS – London FOX** £/tonne

| Wheat | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 129.00 | 128.85 | 129.00 128.55 |
| May | 131.45 | 131.50 | 131.50 130.75 |
| Jun | 133.40 | 133.40 | 133.00 132.80 |
| Sep | 109.50 | 110.30 | 108.50 |
| Nov | 112.50 | 113.40 | 112.75 112.50 |
| Jan | 116.40 | 117.30 | 116.60 |
| Mar | 119.40 | | 119.70 |
| **Barley** | **Close** | **Previous** | **High/Low** |
| Mar | 117.85 | 117.50 | 117.65 117.10 |
| May | 121.50 | 121.40 | 121.50 121.00 |

Turnover: Wheat 485 (898), Barley 62 (205).
Turnover lots of 100 tonnes.

**PIGS – London FOX** (Cash Settlement) p/kg

| | Close | Previous | High/Low |
|---|---|---|---|
| May | 111.5 | 111.5 | 111.0 |
| Jul | 110.0 | 109.5 | 109.5 |
| Aug | 110.0 | | 108.0 |
| Oct | 109.5 | | 108.0 |

Turnover:30 (65) lots of 3,250 kg

**MGMI – London FOX**

| | Close | Prev. | High | Low | Vol |
|---|---|---|---|---|---|
| Indx | 156.71 | 157.04 | | | |
| Mar | 157.60 | 158.30 | 157.60 | | 50 |
| Apr | 157.60 | 158.30 | 157.70 | 157.40 | 130 |
| May | 157.70 | 158.20 | 157.70 | | 50 |
| Jun | 157.60 | 158.00 | 157.60 | | 155 |

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | Total daily turnover 12,298 lots | |
| Cash | 1544-6 | 1532-4 | 1540/1540 | 1540-1 | | |
| 3 months | 1576-7 | 1564-5 | 1578/1565 | 1571-2 | 1575-7 | 52,627 lots |
| **Copper, Grade A (£ per tonne)** | | | | | Total daily turnover 23,774 lots | |
| Cash | 1285-7 | 1291-3 | 1281/1277 | 1278-9 | | |
| 3 months | 1290.5-1.0 | 1294-5 | 1293/1283 | 1286-7 | 1290-1 | 86,086 lots |
| **Lead (£ per tonne)** | | | | | Total daily turnover 2,289 lots | |
| Cash | 315-6 | 315-7 | 315/315 | 315-5.5 | | |
| 3 months | 328.5-9.0 | 326-7 | 329/326 | 327-7.5 | 330-1 | 13,293 lots |
| **Nickel ($ per tonne)** | | | | | Total daily turnover 2,149 lots | |
| Cash | 8425-50 | 8525-50 | 8500/8480 | 8480-1 | | |
| 3 months | 8410-20 | 8500-10 | 8500/8410 | 8475-80 | 8405-10 | 7,463 lots |
| **Tin ($ per tonne)** | | | | | Total daily turnover 971 lots | |
| Cash | 5545-50 | 5580-70 | | 5545-50 | | |
| 3 months | 5648-50 | 5660-70 | 5660/5640 | 5645-7 | 5645-50 | 5,657 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | Total daily turnover 4,051 lots | |
| Cash | 1217-9 | 1220-2 | 1221/1219 | 1218-9 | | |
| 3 months | 1207-9 | 1210-3 | 1215/1206 | 1209-10 | 1209-11 | 18,997 lots |

LME Closing £/$ rate:
SPOT: 1.9025 — 3 months: 1.8758 — 6 months: 1.8522 — 9 months: 1.8360

**LONDON BULLION MARKET**
(Prices supplied by N.M.Rothschild)

| Gold (fine oz) | $ price | £ equivalent |
|---|---|---|
| Close | 365.20-365.40 | |
| Opening | 364.80-365.30 | |
| Morning fix | 364.30 | 190.830 |
| Afternoon fix | 364.50 | 190.858 |
| Day's high | 365.20-365.40 | |
| Day's low | 360.00-360.40 | |

**Loco Ldn Mean Gold Lending Rates (Vs US$)**

| | | | |
|---|---|---|---|
| 1 month | 5.79 | 6 months | 5.38 |
| 2 months | 5.73 | 12 months | 5.29 |
| 3 months | 5.65 | | |

| Silver fix | p/fine oz | US cts equiv |
|---|---|---|
| Spot | 200.20 | 382.00 |
| 3 months | 206.40 | 388.25 |
| 6 months | 212.15 | 394.65 |
| 12 months | 223.05 | 408.15 |

**GOLD COINS**
(Prices supplied by Engelhard Metals)

| | $ price | £ equivalent |
|---|---|---|
| Krugerrand | 365.00-366.00 | 191.00-191.50 |
| Maple leaf | 376.00-377.00 | 196.75-197.25 |
| New Sovereign | 88.50-88.50 | 46.30-46.80 |

**TRADED OPTIONS**

| Coffee | May | Jul | May | Jul |
|---|---|---|---|---|
| 500 | 50 | 69 | 6 | 8 |
| 550 | 19 | 36 | 25 | 25 |
| 600 | 5 | 17 | 61 | 56 |
| **Cocoa** | **May** | **Jul** | **May** | **Jul** |
| 650 | 57 | 55 | 8 | 25 |
| 700 | 26 | 30 | 27 | 50 |
| 750 | 10 | 16 | 61 | 86 |

| Brent Crude | Apr | May | Apr | May |
|---|---|---|---|---|
| 1700 | | | | |
| 1800 | | 117 | | |
| 1900 | 70 | 100 | 25 | 140 |

### New York

**GOLD 100 troy oz.; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 364.7 | 367.9 | 0 | 0 |
| Apr | 366.3 | 369.5 | 367.8 | 365.5 |
| May | 368.0 | 371.2 | 0 | 0 |
| Jun | 369.7 | 372.9 | 371.2 | 363.7 |
| Aug | 373.0 | 376.2 | 374.3 | 373.8 |
| Oct | 376.4 | 379.6 | 376.2 | 376.2 |
| Dec | 379.9 | 383.1 | 381.3 | 373.3 |
| Feb | 383.6 | 386.8 | 0 | 0 |
| Apr | 387.1 | 390.4 | 0 | 0 |

**PLATINUM 50 troy oz; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 397.8 | 408.1 | 400.2 | 396.2 |
| Jul | 401.7 | 410.5 | 404.0 | 400.0 |
| Oct | 405.7 | 414.8 | 407.5 | 405.0 |
| Jan | 409.3 | 418.4 | 410.8 | 409.5 |
| Apr | 414.1 | 423.2 | 0 | 0 |

**SILVER 5,000 troy oz; cents/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 384.1 | 385.6 | 388.0 | 380.0 |
| Apr | 386.0 | 387.5 | 0 | 0 |
| May | 388.5 | 390.0 | 392.5 | 383.0 |
| Jul | 393.3 | 394.9 | 397.5 | 389.0 |
| Sep | 398.3 | 400.0 | 401.0 | 394.0 |
| Dec | 405.6 | 407.3 | 409.0 | 402.0 |
| Jan | 407.2 | 408.9 | 0 | 0 |
| Mar | 413.3 | 415.0 | 414.0 | 403.5 |
| May | 418.7 | 420.4 | 420.0 | 420.0 |
| Jul | 423.9 | 425.6 | 0 | 0 |

**HIGH GRADE COPPER 25,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 111.60 | 112.05 | 112.65 | 111.60 |
| Apr | 110.65 | 111.10 | 110.80 | 110.60 |
| May | 109.75 | 109.95 | 110.40 | 109.30 |
| Jun | 108.90 | 109.10 | 0 | 0 |
| Jul | 108.10 | 108.30 | 108.70 | 108.00 |
| Aug | 107.45 | 107.60 | 0 | 0 |
| Sep | 106.60 | 106.90 | 107.30 | 106.90 |
| Oct | 106.35 | 106.35 | 0 | 0 |
| Nov | 105.60 | 105.80 | 0 | 0 |
| Dec | 105.20 | 105.10 | 105.25 | 105.00 |

**ORANGE JUICE 15,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 114.00 | 114.00 | 114.00 | 113.50 |
| May | 113.25 | 113.30 | 114.00 | 112.60 |
| Jul | 113.70 | 113.75 | 114.25 | 113.40 |
| Sep | 114.10 | 114.55 | 114.75 | 114.00 |
| Nov | 113.85 | 114.30 | 113.85 | 113.85 |

**CRUDE OIL (Light) 42,000 US galls $/barrel**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 20.57 | 20.25 | 20.67 | 19.95 |
| May | 20.11 | 19.88 | 20.20 | 19.60 |
| Jun | 19.74 | 19.54 | 19.80 | 19.30 |
| Jul | 19.48 | 19.30 | 19.53 | 19.13 |
| Aug | 19.30 | 19.18 | 19.35 | 19.00 |
| Sep | 19.28 | 19.14 | 19.30 | 18.95 |
| Oct | 19.30 | 19.14 | 19.35 | 19.05 |
| Nov | 19.29 | 19.16 | 19.40 | 19.08 |
| Dec | 19.30 | 19.18 | 19.45 | 19.10 |
| Jan | 19.30 | 19.18 | 19.30 | 19.00 |

**HEATING OIL 42,000 US galls, cents/US galls**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 5770 | 5613 | 5800 | 5525 |
| May | 5510 | 5371 | 5520 | 5310 |
| Jun | 5360 | 5233 | 5375 | 5200 |
| Jul | 5325 | 5193 | 5360 | 5190 |
| Aug | 5395 | 5258 | 5425 | 5260 |
| Sep | 5535 | 5398 | 5555 | 5405 |
| Oct | 5630 | 5483 | 5640 | 5540 |
| Nov | 5715 | 5588 | 5715 | 5650 |
| Dec | 5800 | 5683 | 5830 | 5700 |
| Jan | 5800 | 5683 | 5840 | 5650 |

**COCOA 10 tonnes;$/tonnes**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 1128 | 1097 | 1125 | 1105 |
| May | 1169 | 1135 | 1170 | 1143 |
| Jul | 1192 | 1163 | 1195 | 1175 |
| Sep | 1222 | 1199 | 1223 | 1208 |
| Dec | 1268 | 1243 | 1268 | 1250 |
| Mar | 1307 | 1283 | 1320 | 1291 |
| May | 1337 | 1313 | 1325 | 1325 |
| Jul | 1362 | 1338 | 0 | 0 |

**COFFEE "C" 37,500lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 91.60 | 89.85 | 91.90 | 89.95 |
| May | 93.65 | 92.00 | 93.90 | 91.80 |
| Jul | 95.70 | 94.05 | 95.75 | 94.00 |
| Sep | 97.75 | 96.30 | 97.75 | 96.00 |
| Dec | 100.40 | 98.15 | 100.25 | 98.65 |
| Mar | 102.65 | 102.15 | 0 | 0 |
| May | 104.45 | 104.00 | 104.00 | 104.00 |
| Jul | 106.50 | 104.50 | 0 | 0 |

**SUGAR WORLD "11" 112,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 9.39 | 9.29 | 9.42 | 9.15 |
| Jul | 9.00 | 8.90 | 9.01 | 8.78 |
| Oct | 8.86 | 8.81 | 8.88 | 8.68 |
| Mar | 8.75 | 8.85 | 8.80 | 8.70 |
| May | 8.75 | 8.88 | 8.72 | 8.72 |
| Jul | 8.75 | 9.00 | 0 | 0 |

**COTTON 50,000; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 86.43 | 87.55 | 87.10 | 86.40 |
| May | 86.58 | 87.75 | 87.35 | 86.46 |
| Jul | 85.19 | 85.83 | 85.75 | 85.10 |
| Oct | 71.72 | 72.46 | 72.30 | 71.70 |
| Dec | 67.19 | 67.63 | 67.45 | 67.15 |
| Mar | 68.00 | 68.35 | 68.30 | 68.00 |
| May | 68.41 | 68.50 | 68.50 | 68.40 |

**INDICES**

**REUTERS** (Base: September 18 1931 = 100)

| Mar 5 | Mar 4 | mnth ago | yr ago |
|---|---|---|---|
| 1699.2 | 1701.4 | 1652.1 | 1899.0 |

**DOW JONES** (Base: Dec. 31 1974 = 100)

| | Mar 4 | Mar 1 | mnth ago | yr ago |
|---|---|---|---|---|
| Spot | 125.89 | 125.48 | 122.09 | 132.50 |
| Futures | 130.53 | 130.48 | 126.08 | 134.59 |

### Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 595/2 | 590/2 | 597/0 | 588/4 |
| May | 606/0 | 601/0 | 608/0 | 598/4 |
| Jul | 619/2 | 614/4 | 621/4 | 612/0 |
| Aug | 625/0 | 620/2 | 626/0 | 617/4 |
| Sep | 626/0 | 621/6 | 628/2 | 619/2 |
| Nov | 635/2 | 630/2 | 636/0 | 627/4 |
| Jan | 645/0 | 640/2 | 645/4 | 637/4 |
| Mar | 655/4 | 651/2 | 655/4 | 648/0 |

**SOYABEAN OIL 60,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 22.83 | 22.66 | 22.84 | 22.62 |
| May | 23.13 | 23.13 | 23.14 | 22.92 |
| Jul | 23.45 | 23.47 | 23.47 | 23.23 |
| Aug | 23.52 | 23.47 | 23.58 | 23.30 |
| Sep | 23.61 | 23.52 | 23.62 | 23.41 |
| Oct | 23.65 | 23.50 | 23.65 | 23.40 |
| Dec | 23.87 | 23.70 | 23.90 | 23.55 |
| Jan | 23.70 | 23.65 | 23.70 | 23.55 |

**SOYABEAN MEAL 100 tons; $/ton**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 171.0 | 168.5 | 171.2 | 168.0 |
| May | 174.0 | 171.2 | 174.2 | 170.9 |
| Jul | 177.3 | 174.7 | 177.5 | 174.3 |
| Aug | 179.0 | 177.0 | 179.1 | 176.5 |
| Sep | 180.6 | 178.2 | 180.7 | 177.8 |
| Oct | 181.9 | 180.0 | 182.0 | 179.0 |
| Dec | 185.2 | 182.5 | 185.2 | 182.3 |
| Jan | 185.3 | 183.2 | 0 | 0 |

**MAIZE 5,000 bu min; cents/56lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 246/0 | 246/0 | 246/6 | 244/6 |
| May | 256/4 | 256/0 | 256/6 | 254/6 |
| Jul | 263/6 | 263/2 | 264/2 | 262/2 |
| Sep | 265/0 | 264/6 | 266/0 | 263/6 |
| Dec | 267/0 | 267/0 | 267/4 | 265/4 |
| Mar | 274/0 | 274/2 | 274/2 | 272/4 |
| May | 279/0 | 279/0 | 279/0 | 278/0 |

**WHEAT 5,000 bu min; cents/60lb-bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 275/4 | 271/0 | 276/0 | 268/4 |
| May | 285/0 | 280/6 | 285/0 | 279/0 |
| Jul | 294/6 | 290/4 | 295/0 | 289/4 |
| Sep | 303/0 | 297/4 | 303/4 | 298/2 |
| Dec | 316/6 | 311/0 | 317/0 | 311/0 |
| Mar | 323/4 | 321/0 | 323/4 | 320/0 |

**LIVE CATTLE 40,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 81.47 | 80.47 | 81.60 | 80.60 |
| Jun | 77.87 | 77.02 | 77.97 | 77.15 |
| Aug | 75.30 | 74.72 | 75.35 | 74.90 |
| Oct | 75.95 | 75.25 | 76.00 | 75.30 |
| Dec | 76.55 | 76.07 | 76.60 | 76.15 |
| Feb | 76.30 | 75.82 | 76.30 | 76.10 |
| Apr | 76.60 | 76.20 | 76.80 | 76.40 |

**LIVE HOGS 30,000 lb, cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 52.77 | 51.82 | 52.95 | 51.80 |
| Jun | 57.50 | 56.45 | 57.75 | 56.45 |
| Jul | 56.70 | 55.85 | 56.80 | 55.95 |
| Aug | 54.00 | 53.90 | 54.25 | 53.45 |
| Oct | 48.70 | 47.92 | 48.72 | 48.00 |
| Dec | 47.72 | 47.25 | 47.97 | 47.60 |
| Feb | 47.62 | 47.50 | 47.85 | 47.50 |
| Apr | 45.90 | 45.70 | 46.30 | 45.55 |

**PORK BELLIES 40,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 64.87 | 63.07 | 65.00 | 63.50 |
| May | 65.40 | 63.65 | 65.55 | 63.75 |
| Jul | 64.75 | 63.10 | 65.10 | 63.25 |
| Aug | 62.82 | 61.05 | 63.05 | 61.40 |
| Feb | 59.10 | 58.15 | 60.00 | 58.60 |
| Mar | 59.00 | 58.00 | 0 | 0 |

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## LONDON STOCK EXCHANGE

# Equities break through FT-SE 2,400

A RENEWED spate of institutional buying, led by US investment funds, caught the London market unawares yesterday, and equities gained nearly 38 points on the FT-SE Index, taking it comfortably above the 2,400 mark to close at its highest level for nearly 14 months. Turnover was extremely heavy and some traders described the session as one of the best since before the market crash of October 1987.

Yesterday's performance represented a remarkable turnround of some 18 Footsie points from early falls which followed the widely predicted halving in dividend by Midland Bank; the disclosure that Midland's chairman will soon depart provided an additional and unexpected upset.

In early trade, the market was nearly eleven Footsie points off as traders took a cool view of the unexciting performances in Tokyo and New York overnight. But US funds showed an appetite for Glaxo, Wellcome and many of the other international blue chips, and the London market began to rally and then to turn higher. The stock futures market played a relatively subdued role, although the premium on the Footsie contract expanded later in the day.

| Account Dealing Dates | | |
|---|---|---|
| *First Dealings: | | |
| Feb 25 | Mar 11 | Apr 2 |
| Option Declarations: | | |
| Mar 7 | Mar 27 | Apr 11 |
| Last Dealings: | | |
| Mar 8 | Mar 28 | Apr 12 |
| Account Day: | | |
| Mar 18 | Apr 8 | Apr 22 |

*New-time dealings may take place from 8.30 am two business days earlier.

By early afternoon, the market had successfully broken through the Footsie 2,400 mark. The presence of US buyers in London was then backed up by a strong opening to the new Wall Street session which had gained 34 Dow points by the time London closed for the day.

A final burst of strength took the FT-SE Index to a final reading of 2,420.1, the highest close since January 9, 1990 and a gain of 37.2 on the day. The Index now seems poised to challenge its all-time peak of 2,463.7, reached on January 3 last year.

Trading volume, as measured by the Seaq network, increased sharply to 693m shares from the 499.8m of the previous session.

US demand was by no means the only factor behind yesterday's advance in share prices. The sudden upswing in share prices during the morning alarmed some domestic fund managers who hurried to put new cash into equities. In three weeks, managers will be meeting their fund trustees for the assessment of fund performances over the first quarter of the year, and no manager wants to be left behind by the market at this stage.

The suddenly renewed rush to buy fell heavily on the London marketmaking firms which were still relatively short of stock and had been expecting share prices to settle downwards in the short term. The squeeze on their positions helped to drive prices ahead and also forced marketmakers to borrow stock from the institutions, which remained largely unwilling to sell shares into the market.

The practice of stock lending by institutions came under a cloud of legal questions last year but this has now been removed and traders said lending volume was heavy yesterday.

Trading in the non-Footsie listed stocks remained extremely active yesterday. Underlining the institutional appetite for smaller stocks was a highly successful £13.6m placing and open offer of shares by Polypipe, a building supplies company. Panmure Gordon, the placing broker, said that the issue was nine times over-subscribed within an hour by institutions which, only a few weeks ago, might have hesitated to take stock in a small company in what was then a somewhat troubled market sector.

## Two-way pull on Midland

A HALVED full year dividend from Midland Bank and the resignation of its chief executive surprised even bears of the stock. Midland nevertheless put in a resilient performance in heavy trading, supported by the strength of the rest of the market and other banks.

Analysts had mixed assessments of the company's performance. Mr Peter Toeman at UBS Phillips & Drew commented: "The pain on the dividend cut has been counter-balanced by the reduced likelihood of a rights issue." Mr Tim Clarke at Panmure Gordon said the worst problems might now be behind the bank.

However, Mr Robert Law at Lehman Brothers predicted short-term weakness in the share price. Midland is yielding 6.4 per cent, compared with 7.2 per cent from NatWest and 6.8 per cent from Barclays, both of which are usually regarded as stronger. For Midland to yield 7.2 per cent, the shares would have to drop to 165p, he said.

All three banks go ex-dividend on Monday. Income funds were yesterday switching out of Midland into especially NatWest. Midland fell 15 before recovering with the market to end at 187p for a net decline of just 3. Turnover was a very heavy 38m, easily the highest since June 1989 when Hanson sold its 5.2 per cent stake. NatWest climbed 21 to 333p and Barclays rose 11 to 442p.

### Ladbroke unsettled

Investors steered clear of Ladbroke ahead of final results due tomorrow. Sentiment was so upset by the departure from the company of Mr Keith Edelman, the strategic planning director and head of Texas Homecare.

Mr Edelman had been tipped in the press as a possible successor to Mr Cyril Stein, Ladbroke's chairman. His departure was "perhaps a little disappointing", according to Mr Bruce Jones at Smith New Court. Marketmakers said they were additionally upset by the timing of the change, just before the figures.

Ladbroke was 4 off at one point before ending at 271p, a decline of a penny on the day. Mr Jones pointed out that Ladbroke shares have been particularly strong in recent weeks. Turnover was a busy 5.2m. Mr Edelman is going to Carlton Communications, whose shares climbed 15 to 435p.

### Airways upset

British Airways fell in busy late dealings on speculation that an announcement was about to be made on the liberalisation of rules allowing foreign airlines to use Heathrow airport. The surge in activity at one stage led to marketmakers offering on the Seaq screens to buy BA shares at a higher price than they were prepared to sell them for.

After the market closed, Mr Malcolm Rifkind, the UK transport minister, said he had accepted the advice of the Civil Aviation Authority that rules preventing international airlines starting new scheduled services into Heathrow should be lifted.

However, he also said the effect of the changes would be modest and did not automatically open the way for new airlines to operate at Heathrow. BA closed 8 lower at 165p on turnover of 7.1m.

### Tarmac downgrade

Tarmac was one of only 12 fallers in the FT-SE 100 list after securities house Smith New Court cut its profits forecast. The construction company closed 6 down at 268p on a turnover of 3m.

Rumours of downgrading spread through the market on Monday but Mr Derek Reed, building analyst at Smith, insisted that there was no suggestion of altered figures until yesterday, when he moved his 1990 figure back by £3m to £187m and his 1991 forecast down by £28m to £172m. "We think management has found its way again, but the stock is still expensive," he said.

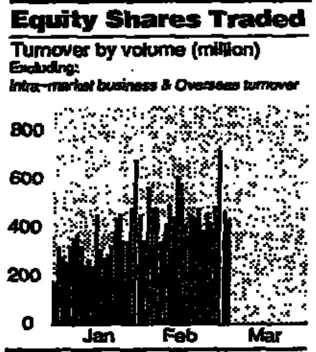
The furore over Midland's dividend cut hurt Standard Chartered, whose own dividend has been the subject of much speculation. Standard slipped to 289p before recovering to 294p, a penny down on balance. "Standard is likely to cut its dividend now," commented one analyst.

Glaxo burst through the £10 barrier to clock up yet another new high of 1032p for an advance of 45. Traders blamed a severe shortage of stock, US buying and a small profits upgrade from Goldman Sachs.

**FT-A All-Share Index**

**Equity Shares Traded**

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Goldman is now forecasting £1.215bn instead of £1.2bn for the current year. The squeeze was reflected in the unspectacular turnover of 2.6m.

ICI added 20 at 1070p ahead of Monday's ex-dividend date.

A press report that Pearson was about to sell its 22.2 per cent stake in Dutch publisher Elsevier helped the shares climb 23 to 749p in modest turnover. After the market closed, Pearson confirmed the sale, which raises £313m and reduces the company's net borrowings of £410m.

Ms Chris Munro at Hoare Govett said: "There were two surprises: the price was a little lower than expected and net debt was slightly higher than expected. But the deal is good news and should add a couple of million pre-tax to profits this year." Pearson said Elsevier had informed it that it did not intend to dispose of its own 8.8 per cent holding in Pearson.

Utilities, especially oil and gas, were described by Mr Richard Burnard of Laing & Cruickshank as "somewhat friendless", with investors deserting for what they felt were more undervalued stocks. British Gas eased half a penny to 237½p on a turnover of 8.2m. Shell lost a penny to 468p with 6m shares traded and BP hardened 2½ to 335½p on a volume of 9.2m shares.

The construction sector ran into profit-taking. It has seen some spectacular rises in recent days on hopes for contracts to rebuild Kuwait. George Wimpey declined 9 to 201p – BZW was a seller – and John Laing relinquished 4 to 336p.

Raine Industries, the house and building contractor, announced lower profits and a flat dividend in line with City expectations but saw profit-taking after a rise of nearly 40 per cent since the beginning of the year. The shares closed 4 down at 128p.

The market found Persimmon, the housebuilder, attractive after good results on Monday. It rose 18 to 265p. Positive sentiment spilled over into Wilson Bowden, another second line housebuilder, which advanced 22 to 430p.

Tilbury Group climbed 20 to 690p, helped by reports of a joint venture in Spain.

Williams Holdings, the recent bidder for locks and domestic appliances group Yale and Valor, held firm in spite of a large placing by Barclays de Zoete Wedd, a fall in full year profits and a flat dividend. The shares ended up 2 at 278p on a turnover of 2.0m.

Buyers still valued British Aerospace cheaply and pushed it up 17 to 641p on a volume of 1.5m shares. The prospect of US orders for Rolls-Royce helped the stock to an 8-point rise. It closed at 174p on a turnover of 5.3m.

Reports that Mr Jock Mackenzie may have found a bidder for his family's 21 per cent shareholding in Tace, the maker of pollution control equipment, lifted the stock 9 to 165p.

GKN, the motor components, industrial services and defence group, gained ground. Analysts said results due out today would be unglamorous but the general rush for stock throughout the market meant that the bulls held sway and the shares put on 10 to 379p on a turnover of 1.6m.

Concern that securities house UBS Phillips & Drew would cut its estimate for the dividend of BICC, the cable manufacturer, before the results due out today poured cold water on the shares, which slipped 10 to 426p. UBS reduced its forecast for BICC's 1991 profits from £160m to £152m after BICC Australia released results below expectations.

The market was so bullish that Polypipe, the south Yorkshire-based manufacturer of plastic pipes and fittings, maintained its price of 165p in spite of going ex-dividend at 1.32p and making a 150p a share offer to raise £13.6m. The offer, for existing institutional shareholders, of one share for every 7.253 ordinary shares held was heavily over-subscribed. The company also posted a slight rise in first-half profits.

The response to the UK government's white paper (policy document) on telecommunications was greeted with modest market enthusiasm for British Telecom shares. Rules on rivals' access to the BT network are not as bad as some had feared, and the duopoly on international calls is left largely intact. BT moved ahead 7 to 319p.

Paper and packaging companies, particularly the larger stocks, had a good day in the wake of a bullish sector review from James Capel.

Cadbury Schweppes bounced strongly after Hoare Govett, broker to the company, said market speculation about a rights issue was unfounded. "With no major acquisition on the cards, there seem little grounds for Cadbury issuing new equity at present," said Mr Richard Workman of Hoare. Some other analysts still believed a refinancing was possible next year.

Cadbury advanced 13 to 364p, with Hoare upgrading its recommendation to a buy. Cadbury reports its final results today and analysts expect £275m to £285m, against £244m last time.

■ Other Market statistics, including the FT-Actuaries share index, Page 23

### NEW HIGHS AND LOWS FOR 1990/91

NEW HIGHS (120).
BRITISH FUNDS (1) AMERICANS (1) CANADIANS (1) BANKS (5) BREWERS (2) BUILDINGS (19) CHEMICALS (1) STORES (12) ELECTRICALS (12) ENGINEERING (3) FOODS (8) INDUSTRIALS (21) Baird (Wm.), Barls, Betterware Cons. Prods., British Aerospace, Do. 7¾p Pf., British Vita, Charter Cons., Creighton Naturally, Daimler-Benz, Fisons, Glaxo, Kalon, Low & Bonar, Sanders & Sidney, Serco, Sidlaw, Silentnight, SmithKline Beecham A, Spring Ram, Takare, Vinten, LEISURE (2) PAPERS (4) PROPERTY (2) SHOES (2) TEXTILES (1) TRUSTS (23).
NEW LOWS (8).
BUILDINGS (1) ELECTRICALS (2) INDUSTRIALS (3) Faber Prest, MY Hldgs., Plasdeal, LEISURE (1) PROPERTY (2).

### FINANCIAL TIMES STOCK INDICES

| | Mar 5 | Mar 4 | Mar 1 | Feb 28 | Feb 27 | Year Ago | 1990/91 High | 1990/91 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 84.74 | 84.61 | 84.76 | 85.09 | 85.39 | 77.53 | 85.88 (19/2/91) | 74.13 (30/4/90) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 93.21 | 93.15 | 93.22 | 93.47 | 93.56 | 87.41 | 94.23 (19/2/91) | 83.80 (30/4/90) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary Share | 1946.0 | 1918.1 | 1918.2 | 1910.7 | 1877.6 | 1745.7 | 1968.3 (3/1/90) | 1510.4 (24/9/90) | 2006.6 (5/9/89) | 49.4 (26/6/40) |
| Gold Mines | 142.5 | 143.0 | 143.0 | 137.7 | 134.4 | 282.8 | 378.5 (6/2/90) | 127.0 (22/2/91) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| FT-SE 100 Share | 2420.1 | 2382.9 | 2388.9 | 2380.9 | 2348.0 | 2216.0 | 2463.7 (3/1/90) | 1990.2 (28/9/90) | 2463.7 (3/1/90) | 986.9 (23/7/84) |
| FT-SE Eurotrack 200 | 1106.10 | 1094.58 | 1088.10 | 1095.65 | 1083.75 | - | 1106.10 (5/3/91) | 938.62 (16/1/91) | 1106.10 (5/3/91) | 938.62 (16/1/91) |
| Ord. Div. Yield | 4.95 | 5.03 | 5.04 | 5.06 | 5.14 | 5.02 | | | | |
| Earning Yld %(full) | 9.58 | 9.73 | 9.75 | 9.79 | 10.72 | 11.88 | | | | |
| P/E Ratio(Net)(*) | 12.83 | 12.63 | 12.60 | 12.55 | 11.28 | 10.18 | | | | |
| SEAQ Bargns 4.45pm | 38,710 | 37,518 | 36,810 | 42,389 | 31,226 | 25,150 | | | | |
| Equity Turnover(£m)† | - | 877.23 | 1029.39 | 1812.52 | 1089.38 | 732.58 | | | | |
| Equity Bargains† | - | 38,246 | 36,457 | 41,891 | 31,513 | 25,977 | | | | |
| Shares Traded (ml)† | - | 429.3 | 470.3 | 712.9 | 494.9 | 344.5 | | | | |

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. * Nil 12.49

Ordinary Share Index, Hourly changes — Day's High 1947.4 — Day's Low 1909.0

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 1915.5 | 1909.9 | 1912.4 | 1920.8 | 1928.2 | 1931.3 | 1935.0 | 1938.6 | 1944.3 |

FT-SE 100, Hourly changes — Day's High 2420.1 — Day's Low 2372.1

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 2379.1 | 2372.7 | 2378.1 | 2388.9 | 2392.7 | 2398.5 | 2401.6 | 2403.3 | 2414.4 |

FT-SE Eurotrack 200, hourly changes — Day's High 1106.10 — Day's Low 1096.43

| Open | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm |
|---|---|---|---|---|---|---|
| 1096.43 | 1096.74 | 1099.16 | 1100.59 | 1102.29 | 1103.42 | 1103.86 |

### GILT EDGED ACTIVITY

| Indices* | Mar 4 | Mar 1 |
|---|---|---|
| Gilt Edged Bargains | 88.5 | 104.5 |
| 5–Day average | 103.6 | 104.6 |

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

### TRADING VOLUME IN MAJOR STOCKS

| Stock | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| ADT | 842 | 119 | +5 |
| ASDA Group | 6,500 | 130 | +4 |
| Abbey National | 3,600 | 288 | +5 |
| Albert Fisher | 1,800 | 129 | −1 |
| Allied-Lyons | 1,700 | 622 | +½ |
| Amstrad | 2,000 | 70 | +3 |
| Anglian Water | 1,200 | 289 | +2 |
| Argos | 1,300 | 272 | +5 |
| Argyll Group | 3,100 | 272 | +5 |
| Ass. Brit. Foods | 715 | 472 | +2 |
| BAA | 1,000 | 419 | −1 |
| [illegible] | | | |
| Cable & Wire. | 2,300 | 640 | +13 |
| Cadburys | 3,700 | 364 | +13 |
| Calor Group | 728 | 238 | |
| Carlton Comms. | 1,500 | 435 | +15 |
| Coats Viyella | 5,300 | 149 | +10 |
| Comm. Union | 788 | 626 | +1 |
| Cookson | 1,700 | 141 | +7 |
| Courtaulds | 2,800 | 379 | −2 |
| Dalgety | 805 | 400 | |
| Dixons | 3,600 | 183 | +6 |
| ECC Group | 1,100 | 388 | −4 |
| Eastern Elect. | 1,300 | 169½ | −½ |
| East Midland Elect. | 1,100 | 178 | |
| Enterprise Oil | 1,300 | 673 | |
| Eurotunnel Units | 1,000 | 613 | +3 |
| FKI | 3,600 | 86 | |
| Ferranti | 595 | 13 | |
| Fisons | 6,400 | 441 | +2 |
| [illegible] | | | |
| Lloyds Abbey | 1,300 | 387 | +7 |
| Lloyds Bank | 5,600 | 365 | +3 |
| LASMO | 2,300 | 383 | +7 |
| London Elect. | 854 | 181 | |
| Lonrho | 1,800 | 336 | +5 |
| Lucas | 4,800 | 160 | +8 |
| MB Caradon | 272 | 203 | +3 |
| MEPC | 727 | 536 | +6 |
| Manpower | 2,800 | 67 | |
| Manweb | 587 | 218 | −2 |
| Marks & Spencer | 8,000 | 241 | +5 |
| Maxwell Comms. | 815 | 141½ | +½ |
| Midland Bank | 38,000 | 187 | −3 |
| Midlands Elect. | 475 | 175 | |
| NatWest Bank | 8,800 | 333 | +21 |
| Next | 6,900 | 33 | +1½ |
| North West Water | 1,900 | 288 | +2 |
| Northern Elect. | 823 | 189 | +3 |
| [illegible] | | | |
| Severn Trent Water | 1,500 | 281 | −2 |
| Shell Transport | 6,000 | 468 | −1 |
| Siebe | 898 | 420 | +9 |
| Slough Ests | 730 | 254 | +4 |
| Smith (W H) A | 314 | 354 | −1 |
| Smith & Nephew | 5,700 | 113½ | +4 |
| SmKl Beecham | 3,400 | 722 | +7 |
| SmKl Beecham Uts | 280 | 3148 | +28 |
| Smiths Inds. | 609 | 260 | +3 |
| Southern Elect. | 1,600 | 172 | −2 |
| South Wales Elect. | 478 | 210 | −2 |
| South West Water | 1,000 | 298 | +3 |
| South West Elect. | 381 | 180 | +1 |
| Southern Water | 148 | 270 | −1 |
| Standard Chartd | 3,400 | 294 | −1 |
| [illegible] | | | |
| Utd. Newspapers | 453 | 367 | +12 |
| Water Package Uts. | 1 | C290 | +5 |
| Wellcome | 702 | 505 | +22 |
| Welsh Water | 369 | 323 | +6 |
| Wessex Water | 311 | 365 | −6 |
| Whitbread 'A' | 785 | 482 | +5 |
| Wiggins Teape | 4,400 | 219 | +12 |
| Williams Hldgs. | 2,000 | 278 | +2 |
| Willis Corroon | 899 | 295 | +2 |
| Wimpey | 1,100 | 207 | −9 |
| Yorkshire Elect. | 486 | 191 | −2 |
| Yorkshire Water | 680 | 312 | +7 |

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

### EQUITY FUTURES AND OPTIONS TRADING

A SHORTAGE of stock coupled with US investment demand created a powerful squeeze in the UK futures market yesterday. However, equity futures had little influence over the share market and for once their traditional roles appeared to be reversed.

Indeed, London stock futures had begun the session indicating that the rally of the last seven weeks had run out of steam. At one stage, the March FT-SE contract was trading 2 to 3 points over the spot index, compared with the 5-point fair value premium calculated by brokers.

However, a strong advance on Wall Street found marketmakers short of stock and forced them into the futures market to cover their positions.

The March FT-SE index closed 40 points up at 2,480, with a 14-point premium to the spot index, against 6 at the previous close. In after-hours dealing the March index rose to 2,438.

In the traded options market, there were signs of investors attempting to profit from the rise in equities. The FT-SE 100 index options were particularly active, with sellers of April 2,350 puts and sellers of March 2,400 calls boosting turnover. Among the share options, James Capel was a strong buyer of Midland Bank March 200 puts following the full year results.

## LONDON SHARE SERVICE

### BRITISH FUNDS

"Shorts" (Lives up to Five Years)

| 1990/91 High | Low | Stock | Price £ | + or − | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 99½ | 92¼ | Funding 5¼pc '87-91‡‡ | 99½xd | | 5.78 | [illegible] |
| 98¾ | 89¾ | Treas. 3pc 1991 | 98¾ | +¼ | 3.04 | [illegible] |
| 99¼ | 94 | Treas 10pc Cv '91 ‡‡ | 99¼ | | 10.08 | [illegible] |
| 99 | 94 | Exch. 11pc 1991 | 99 | | 11.03 | [illegible] |
| 97¾ | 90 | Treas. 8pc 1991 | 97¾ | | 8.19 | [illegible] |
| 101 | 97 | Treas 12¾pc 1992‡‡ | 101 | | 12.58 | [illegible] |
| 99 | 92 | Treas 10pc 1992 | 99 | | 10.09 | [illegible] |
| 97 | 89 | Treas. 8pc 1992 ‡‡ | 96 | | 8.25 | [illegible] |
| 99 | 93 | Treas 10½pc Cv 1992‡‡ | 99 | | 10.56 | [illegible] |
| 93 | 82 | Treas. 3pc 1992 | 93 | | 3.22 | [illegible] |
| 102 | 95 | Exch. 12¼pc '92 | 101 | −⅛ | 12.04 | [illegible] |
| 104 | 98 | Exch 13½pc 1992 | 103 | −⅛ | 13.02 | [illegible] |
| 96 | 86 | Treas 8¼pc 1993 | 95 | −⅛ | 8.60 | [illegible] |
| 99 | 90 | Treas 10pc 1993 | 98 | −⅛ | 10.12 | [illegible] |
| 104 | 96 | Treas 12½pc 1993‡‡ | 103 | −⅛ | 12.03 | [illegible] |
| 92 | 82 | Funding 6pc 1993‡‡ | 92 | −⅛ | 6.49 | [illegible] |
| 108 | 99¾ | Treas 13¾pc 1993‡‡ | 107 | −⅛ | 12.80 | 10.46 |
| 95 | 84¾ | Treas. 8½pc 1994 | 95 | +⅛ | 8.92 | 10.35 |
| 111 | 102 | Treas 14½pc 1994‡‡ | 110 | +⅛ | 13.10 | 10.26 |
| 109 | 99 | Exch 13½pc 1994 | 108 | +⅛ | 12.46 | 10.32 |
| 99 | 88 | Treas. 10pc Ln. 1994‡‡ | 99 | +⅛ | 10.08 | 10.25 |
| 106 | 96 | Exch 12¼pc 1994 | 106 | +⅛ | 11.77 | 10.30 |
| 96 | 85 | Treas 9pc 1994‡‡ | 96 | +⅛ | 9.35 | 10.20 |
| 106 | 94 | Treas 12pc 1995 | 105 | +⅛ | 11.38 | 10.23 |
| 87 | 73 | Exch 3pc Gas 90-95 | 84 | | 3.57 | 7.55 |
| 100 | 88 | Exch. 10¼pc 1995 | 100 | +⅛ | 10.24 | 10.20 |
| 109 | 97 | Treas 12¼pc 1995‡‡ | 109 | +⅛ | 11.69 | 10.23 |
| 113 | 101 | Treas. 14pc '96 | 112 | +⅛ | 12.42 | 10.59 |

Five to Fifteen Years

| 1990/91 High | Low | Stock | Price £ | + or − | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 96 | 82 | Treas. 9pc 1992-96‡‡ | 96xd | +⅛ | 9.36 | 9.96 |
| 119 | 107 | Treas 15¼pc 1996‡‡ | 118 | +⅛ | 12.87 | 10.49 |
| 112 | 99 | Exch 13¼pc 1996‡‡ | 111 | +⅛ | 11.94 | 10.41 |
| 100 | 85½ | Conversion 10pc 1996 | 98 | | 10.12 | 10.22 |
| 100 | 97 | Do. 10pc 1996 A ● | 98 | | 10.29 | 10.23 |
| 113 | 98 | Treas 13¼pc 1997‡‡ | 112 | +⅛ | 11.83 | 10.43 |
| 102 | 87 | Exch 10½pc 1997 | 100 | +⅛ | 10.42 | 10.28 |
| 94 | 79 | Treas 8¾pc 1997‡‡ | 93 | +⅛ | 9.41 | 10.21 |
| 122 | 106½ | Exch 15pc 1997 | 120 | +⅛ | 12.44 | 10.59 |
| 98 | 83½ | Exch. 9¾pc 1998 | 97 | +⅛ | 10.02 | 10.27 |
| 85 | 70 | Treas 6¾pc 1995-98‡‡ | 84 | +⅛ | 7.99 | 9.87 |
| 127 | 110¼ | Treas. 15½pc '98‡‡ | 125 | +⅛ | 12.32 | 10.46 |
| 109 | 93¼ | Exch. 12pc 1998 | 108 | +⅛ | 11.10 | 10.41 |
| 97 | 82 | Treas 9½pc 1999‡‡ | 96 | +⅛ | 9.87 | 10.18 |
| 111 | 94 | Exch. 12¼pc 1999 | 109 | +⅛ | 11.16 | 10.42 |
| 102 | 85 | Treas. 10½pc 1999 | 101 | +⅛ | 10.40 | 10.29 |
| 101 | 84 | Conversion 10¼pc 1999 | 99 | +⅛ | 10.30 | 10.32 |
| 94 | 78 | Conversion 9pc 2000‡‡ | 93 | +⅛ | 9.64 | 10.14 |
| 116 | 98 | Treas. 13pc 2000 | 114 | +⅛ | 11.32 | 10.46 |
| 116½ | 113 | Do. 13pc 2000 A | 114 | +⅛ | 11.33 | 10.47 |
| 100 | 82 | Treas 10pc 2001 | 98 | +⅛ | 10.15 | 10.23 |
| 118 | 102 | Treas. 14pc '98-01 | 116 | +⅛ | 11.99 | 10.60 |
| 98 | 81 | Treas 9¾pc 2002 | 96 | +⅛ | 10.07 | 10.21 |
| 100 | 82 | Treas 10pc 2003 | 98 | +⅛ | 10.15 | 10.17 |
| 99 | 91 | Treasury 10pc 2003 "A" | 99 | | 10.09 | 10.28 |
| 108 | 90 | Treas. 11½pc 2001-04 | 106 | +⅛ | 10.79 | 10.43 |
| 58 | 45 | Funding 3½pc '99-04 | 56 | +⅛ | 6.16 | 9.18 |
| 97 | 79 | Conversion 9½pc 2004 | 95 | +⅛ | 9.98 | 10.14 |
| 97 | 79 | Conversion 9½pc 2005 | 95 | +⅛ | 9.98 | 10.12 |
| 118½ | 98 | Treas. 12½pc 2003-05 | 115 | +⅛ | 10.80 | 10.23 |

Over Fifteen Years

| 1990/91 High | Low | Stock | Price £ | + or − | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 85 | 69 | Treas. 8pc 2002-06‡‡ | 83xd | +⅛ | 9.56 | 10.08 |
| 112½ | 93 | Treas. 11¾pc 2003-07 | 110 | +⅛ | 10.64 | 10.19 |
| 90 | 73 | Treas 8½pc 2007 ‡‡ | 88 | +⅛ | 9.62 | 9.94 |
| 125 | 105 | Treas. 13½pc '04-08 | 123xd | +⅛ | 10.93 | 10.20 |
| 94 | 77 | Treas. 9pc 2008 ‡‡ | 92 | +⅛ | 9.69 | 9.84 |
| 85 | 69 | Treas 8pc 2009 | 84 | +⅛ | 9.52 | 9.87 |
| 94 | 77 | Conv 9pc Ln 2011 ‡‡ | 92 | +⅛ | 9.75 | 9.85 |
| 63 | 50 | Treas. 5½pc 2008-12‡‡ | 61 | +⅛ | 8.99 | 9.78 |
| 83 | 67 | Treas. 7¾pc 2012-15‡‡ | 80 | +⅛ | 9.61 | 9.87 |
| 122¼ | 100 | Exch. 12pc '13-'17 | 118 | +⅛ | 10.11 | 9.87 |

Undated

| 1990/91 High | Low | Stock | Price £ | + or − | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 41 | 33 | Consols 4pc | 39 | +⅛ | 10.14 | - |
| 36 | 29 | War Loan 3½pc‡‡ | 35 | +⅛ | 9.96 | - |
| 61 | 55 | Conv. 3½pc '61 Aft. | 58 | +⅛ | 5.95 | - |
| 32 | 26 | Treas. 3pc '66 Aft. | 29 | +⅛ | 10.29 | - |
| 25 | 20 | Consols 2½pc | 24 | +⅛ | 10.13 | - |
| 25½ | 20 | Treas. 2½pc | 24 | +⅛ | 10.24 | - |

### BRITISH FUNDS—Contd

Index-Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing. [illegible] RPI for June 1990: 126.7 and for January 1991: 130.2.

### INT. BANK AND O'SEAS

| 1990/91 High | Low | Stock | Price £ | + or − | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 101 | 84 | African Dv Bk 11¼Ln 2010 | 100 | +⅛ | 11.05 | 11.03 |
| 98 | 80 | Asian Dev Bk 10¼pcLn2009 | 96 | +⅛ | 10.66 | 10.73 |
| 112 | 80 | Int-Am Dev Bk 12½pc 2003 | 110 | +⅛ | 11.29 | 10.86 |
| 92 | 76 | Do. 9¼pcLn 2015 | 91 | +⅛ | 10.69 | 10.78 |
| 110 | 55 | Utd. Mexican States 16½pc 2008 | 110 | | 15.00 | 14.87 |

### CORPORATION LOANS

| 1990/91 High | Low | Stock | Price £ | + or − | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 104 | 86½ | Birmingham 11½pc 2012 | 101½ | | 11.33 | 11.30 |
| 95½ | 84½ | GLC 6¾pc 1990-92 | 95½ | | 7.07 | 11.60 |
| 115½ | 95 | Leeds 13½pc 2006 | 115½ | | 11.69 | 11.37 |
| 30½ | 25 | Liverpool 3½pc Irred | 30 | | 11.67 | - |
| 35 | 24 | LCC 3pc '20 Aft | 27 | | 11.11 | - |
| 101½ | 85½ | Manchester 11½pc 2007 | 101½ | | 11.33 | 11.57 |

### COMMONWEALTH & AFRICAN LOANS

| 1990/91 High | Low | Stock | Price £ | + or − | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 150 | 150 | S Rhod 2½pc Unasstd | 150 | | - | - |
| 90 | 84½ | Do. 4½pc 87-92 Asstd | 90 | | | |

### LOANS

Building Societies

| 1990/91 High | Low | Stock | Price £ | + or − | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 109 | 99½ | N'wide Anglia 3½pcLn 2021 | 103¼ | −½ | - | 5.33 |
| 109 | 99½ | Do. 4.25pcIL '24 | 105¼ | +⅛ | - | 4.96 |

Public Board and Ind.

| 1990/91 High | Low | Stock | Price £ | + or − | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 55 | 41 | Met. Wtr. 3pc 'B' | 53 | | 5.66 | 9.70 |

### FOREIGN BONDS & RAILS

| 1990/91 High | Low | Stock | Price £ | + or − | Div % Gross | Red. Yield |
|---|---|---|---|---|---|---|
| 50 | 50 | Greek 7pc Ass. | 58 | | 3.50 | f7.00 |
| 50 | 50 | Do. 6pc 28 Stb. Ass. | 58 | | 3 | f6.00 |
| 50 | 50 | Do 4pc Mixed Ass. | 58 | | 2 | f4.00 |
| 55 | 55 | Hung. '24 Ass. | 55 | | 2.75 | f3.57 |
| 128½ | 108 | Hydro Quebec 15pc 2011 | 126 | +⅛ | 12.89 | 11.59 |

### AMERICANS

| 1990/91 High | Low | Stock | Price £ | + or − | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 24 | 18¼ | Abbott Laboratories‡ | 23¼xd | −¼ | 84c | - | 1.8 |
| 610p | 257p | Allegheny & W 1c | 310p | | 30c | - | 4.9 |
| 10¼ | 543p | Amdahl 5c | 768pxd | | 10c | - | 0.7 |
| 34½ | 21¾ | Amer. Cyanamid $5 | 29¾ | | $1.35 | - | 2.3 |
| 21¼ | 8 | Amer. Express 60c | 13¼xd | −⅛ | 92c | - | 3.5 |
| 28¾ | 15¼ | American T. & T. $1 | 17½xd | −⅛ | $1.32 | - | 3.8 |
| 347½ | 27¾ | Ameritech $1 | 34¾ | | $3.16 | - | 4.6 |
| 586p | 116p | Atlantic Equity‡ | 269p | | - | - | - |
| 19 | 8¾ | BankAmerica $1 | 17⅛xd | −⅛ | $1.20 | - | 3.6 |
| 27 | 15¼ | Bankers N.Y. $1 | 24⅛xd | −⅛ | $2.12 | - | 4.5 |
| 35¼ | 21 | Bell Atlantic $1 | 25xd | | $2.36 | - | 4.7 |
| 36¼ | 25 | BellSouth Corp. | 27¼ | | $2.68 | - | 5.0 |
| 13¼ | 5¼ | Bethlehem Steel $8 | 8¼xd | −⅛ | 40c | - | 2.5 |
| 19¼ | 816p | Bowater Inc. | 12⅛ | | $1.20 | - | 4.7 |
| 9 | 3¾ | Brunswick 75c | 7¼xd | −⅛ | 44c | - | 3.1 |

### AMERICANS—Contd

| 1990/91 High | Low | Stock | Price £ | + or − | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 46½ | 35 | CPC Intnl. 25c | 41¼xd | −1½ | $2.00 | - | 2.4 |
| 930p | 358p | California Engy | 589p | −6 | - | - | - |
| 37½ | 23½ | Campbell Soup 15c | 37½xd | +⅛ | $1.16 | - | 1.6 |
| [illegible] | | | | | | | |

### CANADIANS

[illegible]

Continued on next page

## APPOINTMENTS

### Guinness finance changes

GUINNESS has appointed Mr Philip Yea (pictured) as director of financial control. He succeeds Mr Keith Hamill who becomes finance director of United Distillers, the spirits company of Guinness. Mr Yea returns to Guinness from the post of finance director of the Cope Allman Packaging Group, prior to which he was director of business development for United Distillers.

■ ETAM has appointed Mr Keith Hiles as group finance director. He was company secretary and head of finance.

Mr Philip Sellers, a director of Postel Investment Management, and chairman of CSI Group, has been appointed a non-executive director.

■ AMTAC LABORATORIES has appointed Mr Alan Kirwilliam as director of marketing.

■ THE HOUSING CORPORATION has appointed Mr Greg Lomax to the new post of deputy chief executive (operations). He was chief executive of Church Housing Association.

■ Ms Mavis Gradwell has been appointed joint managing director of SIMON JERSEY, supplier of uniforms and corporate clothing.

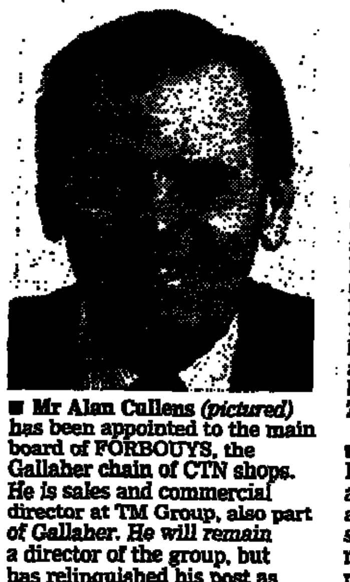
■ PROVIDENCE CAPITOL PORTFOLIO MANAGERS, Basingstoke, has appointed Mr Talal Shakerchi as fund manager, European equity investment. He joins from the National Bank of Kuwait Investment Management.

■ J.H. MINET & CO, has appointed Dr Charles Lee as executive director, Hydrocarbon Risk Consultants.

■ Mr Philip Williams has been appointed a director of the WILLIAMS LEA GROUP. He is managing director of Williams Lea Business Forms, and chairman of Williams Lea Facilities Management.

■ Mr Gary T. Cowdrill has joined SOVEREIGN MORTGAGE ASSETS as a principal. He was manager, structured finance, The National Home Loan Group.

■ Mr Stuart Roberts has been appointed sales director of MODERN ALARMS. He was a general manager, Wiggins Teape Paper.



■ Mr Alan Cullens (pictured) has been appointed to the main board of FORBOUYS, the Gallaher chain of CTN shops. He is sales and commercial director at TM Group, also part of Gallaher. He will remain a director of the group, but has relinquished his post as chairman of ISS and VTS, two TM Group subsidiaries.

■ MORGAN GRENFELL & CO has appointed Mr D.G. Penfold and Mr N.A. Tatman to the board from April 1. Joining the board of Morgan Grenfell Asset Management from the same date are: Mr J.C. Armitage, Mr P.W.W. Disney, Mr J.G. Fox, Mr A.C. Frost, Mr I.D. Kelson, Mr A.G. Reid, and Mr R.P. Yates.

### Eurotunnel posts

■ Mr Christopher Garnett has been appointed commercial director of EUROTUNNEL. He was European sector director of Sealink UK. Mr Garnett will be responsible for the launching and commercial development of the transport system on the cross-Channel market. He takes over from Mr Nicolas Gorodiche who becomes director of European affairs, a new post. Mr Yves-Noël Derenne has been appointed director of human resources. He was director of human resources at Amdahl Europe. Marketing managers for freight and coach operations have also been appointed - Mr Christian Zhylut and Mr Neil Cooper.

■ LEHMAN BROTHERS INTERNATIONAL has appointed Mr Richard Furber as executive director, branch sales and product management, European branch network. He was senior executive and head of international equities at Dean Witter.

■ Mr John Greenwood has been appointed a director of COMPASS GROUP. He is managing director of the healthcare division.

# LONDON SHARE SERVICE

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## BANKS, HP & LEASING

| 1990/91 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| £13¼ | £9 | ABN Amro Fl5 | £9⅞ | ..... | Q28% | 2.1 | 8.9 | 5.3 |
| 303 | 121 | ANZ SA1 | 129 | –7 | Q38c | 1.9 | 12.0 | 4.5 |
| 268 | 172 | Abbey National 10p | 268 | +5 | 9.5 | q3.0 | 4.8 | 9.1 |
| *274 | 126 | Allied Irish Ord | 174 | +3 | †Q40% | 3.3 | 5.2 | 7.9 |
| 85 | 47 | Anglo Irish | 60 | –3 | Q18.6% | 2.3 | 7.0 | 7.9 |
| 93 | 41 | Ansbacher (H.) 1p | 41 | ..... | 2.5 | 1.3 | 8.1 | 11.8 |
| £71¼ | £32 | Bancaire Cie Fr100 | £51¼ | + | Q12¼% | – | 2.5 | – |
| £22¼ | £12½ | Banco Bilbao Viz | £16¼ | ..... | Q49.1% | 2.7 | 5.0 | 7.4 |
| £58 | £21 | Banco de Santander | £28 | +½ | Q28.7% | 2.3 | 4.3 | 9.9 |
| 286 | 130 | Bank Ireland Ir£1 | 187 | +5 | Q14.7% | 2.9 | 7.1 | 6.6 |
| £19½ | £18 | Bank Leumi | £19½ | ..... | – | – | – | – |
| 351 | 320 | Bank Leumi (U.K.) £1 | 350 | ..... | 16.0 | – | 6.1 | – |
| 135 | 100 | Bank Scotland | 135 | +3 | †4.55 | 3.4 | 4.5 | 8.6 |
| 110 | 83¼ | Do. 9¼pc Irrd Pf £1 | 103 | ..... | 9¼% | – | 12.0 | – |
| 107¼ | 99½ | Do. 9¼pc Irrd Pf £1 | 106¼ | ..... | 9¼% | – | 12.2 | – |
| 54 | 39 | Bank of Wales | 42 | ..... | 2.8 | 0.8 | 8.9 | (20.2) |
| 442 | 290 | Barclays £1 | 442 | +11 | 21.15 | q1.1 | 6.6 | 17.9 |
| 22 | 9 | Benchmark 20p | 9 | ..... | 0.75 | – | 11.1 | – |
| 335 | 195 | Brown Shipley £1 | 224 | ..... | ‡12.0 | 2.2 | ‡ | 7.2 |
| *458 | 285 | Cater Allen £1 | 455 | –2 | F24.5 | – | 7.2 | – |
| 179 | 29 | Chancery | 36 | ..... | ‡9.0 | 2.7 | ‡ | 1.4 |
| £23¼ | £14 | Commerzbk DM10 | £18 | ..... | Q18% | – | 3.4 | – |
| £13¼ | 620 | Dai Ichi KBk Y50 | 844 | ..... | Q17% | 6.2 | 0.4 | 39.9 |
| *£313 | £209 | Deutsche Bk DM50 | £222 | +3 | Q28% | – | 2.1 | – |
| £20¼ | £14¼ | Espirito Santo | £17 | ..... | Q75c | 5.1 | 2.3 | 8.7 |
| 253 | 152 | First Nat. Fin. 10p | 188 | +1 | 13.0 | 1.2 | 9.2 | (11.2) |
| 121 | 78 | FNFC 6.3pc Cv. Pf £1 | 98 | ..... | 6.3% | – | 8.6 | – |
| £13¼ | 633 | Fuji Bank Y50 | 991 | +4 | †Q17% | 6.9 | 0.3 | 42.2 |
| 340 | 262 | Gerrard & National | 339 | ..... | 19.0 | – | 7.5 | – |
| 154 | 63 | Guinness Mahon 10p | 63 | ..... | 1.45 | – | 3.1 | – |
| 328 | 194 | Hambros 20p | 279 | +5 | †11.5 | – | 5.5 | – |

### Hire Purchase, Leasing, etc.

## BEERS, WINES & SPIRITS

## BUILDING, TIMBER, ROADS

## BUILDING, TIMBER, ROADS – Contd

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## ELECTRICALS

## ELECTRICALS – Contd

## ELECTRICITY

## ENGINEERING

## ENGINEERING – Contd

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

## INDUSTRIALS (Miscel.) – Contd

## INDUSTRIALS (Miscel.) – Contd

## INSURANCES

## LEISURE

# LONDON SHARE SERVICE

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## MOTORS, AIRCRAFT TRADES

| 1990/91 High | Low | Stock | | Price | + or - | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|---|
| 132 | 50 | ABI Leisure 10p | β | 68 | ..... | 3.1 | 4.4 | 6.1 | 4.7 |
| £14½ | £5½ | DAF N.V. Fl5. | | £7½ | +⅛ | Q50° | 2.0 | 10.6 | 4.7 |
| 149 | 79 | General Mtrs Units | | 103½ | -1½ | [illegible] | – | 6.1 | – |
| 41 | 9 | March Group 5p | β | 14 | ..... | – | – | – | – |
| £222¾ | £101 | Volkswagen DM50 | | £124½ | +1½ | Q22° | 3.5 | 3.0 | 9.8 |
| £44½ | £18½ | Volvo AB 'B' Kr25 | | £26¾ | -⅛ | Q62° | ♦ | 5.2 | ♦ |

### Commercial Vehicles

| 1990/91 High | Low | Stock | | Price | + or - | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|---|
| 253 | 68 | ERF (Hldgs) | β | 136 | ..... | 10.0 | 1.6 | ‡ | 8.3 |
| 180 | 48 | Plaxton Grp | β | 50 | +1 | 8.5 | 2.0 | 22.7 | 2.8 |

### Components

| 1990/91 High | Low | Stock | | Price | + or - | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|---|
| 463 | 420 | Abbey Panels | | 463 | ..... | 3.5 | 10.8 | 1.0 | 12.3 |
| 225 | 123 | Airflow Streamlines | β | 140 | ..... | 6.0 | 3.0 | 5.7 | 7.8 |
| 190 | 140 | Bostrom 5p | β | 148 | ..... | 15.75 | 3.1 | 5.5 | 6.4 |
| 266 | 145 | Dowty 50p | α | 189 | +4 | 19.0 | 2.1 | 6.7 | 9.0 |
| 239 | 110 | FR Group | α | 168 | +5 | 6.37 | 3.1 | 5.1 | 8.6 |
| 135 | 55 | Kwik-Fit Hldgs 10p | α | 100 | -2 | 12.4 | 2.3 | 3.3 | 18.5 |
| 174 | 102 | Lucas Inds | α | 169 | +6 | 7.0 | 2.5 | 5.5 | 8.3 |
| 44 | 14 | Do. Warrants | β | 32½ | +2½ | – | – | – | – |
| [illegible] | | | | | | | | | |

### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING, ADVERTISING

[illegible]

## PROPERTY

[illegible]

## PROPERTY—Contd

| 1990/91 High | Low | Stock | | Price | + or - | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|---|
| £134 | £85 | Do. 7pc Cv Ln 2002 | y | £115 | +3 | Q10½% | – | 8.3 | – |
| 195 | 70 | Great Property Ir25p | y | 80 | ..... | 10.2% | 1.7 | 5.8 | 14.1 |
| 481 | 323 | Greycoat 10p | α | 387 | +5 | 5.2 | 3.9 | 1.8 | 16.7 |
| 62 | 38 | [illegible] | | 68 | ..... | 20.0 | – | 0.1 | – |
| 859 | 510 | Hammerson "A" | α | 665 | +13 | 19.5 | 1.3 | 3.9 | 23.1 |
| 113 | 47 | [illegible] 10p | β | 53 | -2 | 12.0 | – | – | – |
| 675 | 147 | [illegible] Prop 10p | β | 155 | ..... | 16.88 | 2.8 | 14.7 | 3.0 |
| 285 | 123 | [illegible] Bar 5p | β | 192 | -3 | 10.0 | 4.0 | 6.9 | 4.8 |
| [illegible] | | | | | | | | | |

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRANSPORT

[illegible]

## INVESTMENT TRUST

[illegible]

## INVESTMENT TRUST—Contd

[illegible]

## INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

## FINANCE, LAND, ETC

[illegible]

## WATER

[illegible]

## OIL AND GAS

[illegible]

## PLANTATIONS

### Rubbers, Palm Oil

[illegible]

### Teas

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

### O.F.S.

[illegible]

### Diamond and Platinum

[illegible]

### Central African

[illegible]

### Finance

[illegible]

### Australians

[illegible]

## MINES—Contd

| 1990/91 High | Low | Stock | | Price | + or - | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|---|
| 63 | 35 | ♥Central Pacific | | 36 | -1 | – | – | – |
| 7½ | 2½ | ♥Croesus Mining N.L. | | 3 | ..... | – | – | – |
| 34 | 16 | ♥Delta Gold 25c | | 21 | -2 | – | – | – |
| 104 | 27 | ♥Dominion Mining | | 33 | ..... | †Q4c | 7.8 | 5.1 |
| 13 | 11 | Doral Resources | | 13 | ..... | Q1c | – | 3.1 |
| 8 | 1½ | ♥Dragon Mining | | 1½ | ..... | – | – | – |
| 164 | 20 | ♥Emperor Mines | | 24 | -1 | – | – | – |
| 3 | 1½ | ♥Endeavour 20c | | 2 | -1 | – | – | – |
| [illegible] | | | | | | | | |
| £14½ | £7½ | Homestake Mining $1 | | £8⅞ | +⅛ | Q20c | – | 1.1 |
| 62 | 22 | ♥Ibernia West | y | 40 | +1 | – | – | – |
| 97 | 43 | ♥Kells Mins. Ir5p | y | 44 | -1 | – | – | – |
| 49½ | 9 | ♥Kenmare | y | 16 | +1½ | – | – | – |
| 45 | 15 | ♥Navan Resources | y | 15 | ..... | – | – | – |
| 20¾ | 7 | ♥New Sabina Res C$1 | | 7 | ..... | – | – | – |
| 457 | 52 | Northgate Expl. C$1 | | 59 | +1 | ♦ | – | – |
| 36 | 12 | North West Expl | | 12 | ..... | – | – | – |
| 39½ | 2 | ♥Nor-Quest Res. | | 7½ | +½ | – | – | – |
| 255 | 75 | Oryx Gold Hldgs | | 9 | ..... | – | – | – |
| 57 | 11 | ♥Ovoca Gold IR 2p | y | 13 | ..... | – | – | – |
| 93 | 39 | Plateau Mining 20p | β | 40 | +1 | – | – | – |
| 605 | 392 | RTZ 10p | α | 538 | +7 | †18.5 | 2.5 | 4.6 |
| 14 | 4½ | ♥Thorco Res. Inc. | | 4½ | ..... | – | – | – |
| 18 | 5 | ♥Vizcaya Hldgs 5p | β | 8 | ..... | – | – | – |
| 178 | 130 | ♥Young Group 10p | β | 130 | ..... | †7.8 | 2.7 | 8.0 |

### Tins

[illegible]

### Miscellaneous

[illegible]

## NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ♥ Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☒ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| Stock | | Price | + or - |
|---|---|---|---|
| Craig & Rose £1 | β | 675 | ..... |
| Finlay Pkg. 5p | β | 31 | +1 |
| Holt (Jos) 25p | β | 1318 | +5 |

### IRISH

| Stock | Price | + or - |
|---|---|---|
| Cap 8½% Ln 1991 | £99½ | ..... |
| 9pc Cap Ln. 1996 | £97¼ | +⅛ |
| Fin. 13% 97/02 | £114 | ..... |
| Arnotts | 168 | ..... |
| Carroll (P.J.) | 154 | ..... |
| Helton Hldgs | 45 | ..... |
| IRG | 158 | ..... |
| United Drug | 165 | +15 |

## TRADITIONAL OPTIONS

3-month call rates

| Industrials | p |
|---|---|
| Allied-Lyons | 40 |
| Amstrad | 6 |
| Asda (BSR) | 4½ |
| BAT | 46 |
| BOC Grp | 28 |
| BTR | 25 |
| Barclays | 30 |
| Blue Circle | 19 |
| Boots | 29 |
| Bowaters | 43 |
| Brit Aerospace | 45 |
| British Steel | 10½ |
| Brit. Telecom | 25 |
| Cadburys | 28 |
| Charter Cons | 38 |
| Comm Union | 40 |
| Courtaulds | 28 |
| Eurotunnel | 35 |
| FKI | 5 |
| FNFC | 20 |
| Gen Accident | 41 |
| GEC | 15 |
| Glaxo | 68 |
| Grand Met | 51 |
| Guardian | 17 |
| GKN | 27 |
| Hanson | 16 |
| Hawker Sidd | 35 |
| ICI | 70 |
| Ladbroke | 22 |
| Legal & Gen | 32 |
| Lex Service | 17 |
| Lloyds Bank | 24 |
| Lucas Inds | 11 |
| Marks & Spencer | 19 |
| Midland Bk | 16 |
| Nat West Bk | 21 |
| P & O Dfd | 44 |
| Racal Elect | 16 |
| RHM | 23 |
| Rank Org Ord | 52 |
| Reed Intnl | 32 |
| STC | 19 |
| Sears | 7½ |
| SmKl. Beecham A | 51 |
| TI | 35 |
| TSB | 11 |
| Tesco | 19 |
| Thorn EMI | 55 |
| Trust Houses | 23 |
| T&N | 13 |
| Unilever | 52 |
| Vickers | 16 |
| Wellcome | 33 |

| Property | |
|---|---|
| Brit Land | 24 |
| Control Secs | 3½ |
| Land Securities | 45 |
| MEPC | 38 |
| Mountleigh | 9 |

| Oils | |
|---|---|
| Aviva Petlm | 3 |
| Brit Petroleum | 27 |
| Burmah Castrol | 46 |
| Conroy Petlm | 15 |
| Gaelic Res | 1½ |
| Premier | 7 |
| Shell | 37 |
| Tuskar Res | 2 |
| Ultramar | 29 |

| Mines | |
|---|---|
| Lonrho | 19 |
| RTZ | 48 |

# FT MANAGED FUNDS SERVICE

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# AUTHORISED UNIT TRUSTS

**Abbey Unit Tst Mngrs (1000)H**
80 Holdenhurst Rd, Bournemouth 0345 717373

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **High Income** | | | | | | |
| American Income | 6 | 42.70 | 42.70xd | 45.66 | -0.26 | 6.99 |
| Gilts & Fixed Int | 6 | 111.8 | 111.8xd | 118.7 | -0.1 | 9.69 |
| High Inc Equity | 6 | 130.6 | 134.2xd | 142.7 | +0.2 | 5.96 |
| Worldwide Bond | 6 | 199.8 | 199.8xd | 211.7 | -0.3 | 7.09 |
| **Capital Growth** | | | | | | |
| American Growth | 6 | 173.2 | 173.2 | 185.2 | -1.2 | 1.06 |
| Asian Pacific | 6 | 112.3 | 114.5 | 121.8 | +0.8 | .16 |
| Assets & Earnings | 6 | 164.2 | 164.2 | 175.6 | -0.5 | 3.09 |
| Capital Reserve Acc | 0 | 103.3 | 103.3 | 103.3 | ... | 6.91 |
| Capital Reserve Inc | 0 | 81.73 | 81.73xd | 81.80 | +0.03 | 7.33 |
| Commdty & Energy | 6 | 72.03 | 72.03xd | 77.03 | -0.09 | 1.29 |
| 1992 Enterprise | 6 | 61.29 | 61.29 | 65.55 | +0.10 | 3.25 |
| Euro Capital Acc | 6 | 87.60 | 87.60 | 93.68 | +0.90 | 1.45 |
| Euro Capital Inc | 6 | 84.11 | 84.11xd | 89.95 | +0.87 | 1.45 |
| General | 6 | 164.6 | 164.6xd | 176.0 | -0.7 | 2.84 |
| Japan | 6 | 92.55 | 92.55 | 98.98 | -0.11 | - |
| Mastertrust | 6 | 83.70 | 83.70 | 89.51 | +0.15 | 2.87 |
| UK Growth Acc | 6 | 148.8 | 148.8 | 159.1 | +0.6 | 2.77 |
| UK Growth Dist | 6 | 96.23 | 96.23xd | 102.9 | +0.4 | 2.77 |
| US Emerging Cos | 6 | 54.78 | 54.78 | 58.58 | +0.65 | - |
| Income & Growth | 6 | 295.7 | 295.7xd | 316.2 | -1.0 | 3.24 |
| Ethical | 6 | 46.92 | 46.92 | 50.18 | +0.16 | 1.99 |
| International | 6 | 57.27 | 58.08 | 61.78 | +0.85 | .81 |
| Dividend & Growth | 6 | 46.80 | 48.04xd | 51.10 | -0.11 | 5.48 |
| Global Grth & Sec | 6 | 49.55 | 49.90xd | 53.08 | +0.05 | 1.88 |

**Abtrust Management Ltd (1200)H**
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Amer Inc & Growth | 5¼ | 26.57 | 26.57 | 28.24 | -0.08 | 2.82 |
| Cash | - | 50.08 | 50.08xd | 50.08 | +0.02 | 13.40 |
| European | 5¼ | 69.93 | 69.93xd | 74.19 | +0.70 | 0.00 |
| European Income | 5¼ | 72.66 | 72.97xd | 76.98 | +0.98 | 1.59 |
| Exempt | 1 | 730.9 | 730.9 | 755.7 | +0.50 | 3.07 |
| Exempt Income | 3¼ | 168.5 | 168.5 | 178.9 | -0.8 | 4.73 |
| Exempt American | 3¼ | 315.3 | 315.3 | 328.8 | -2.4 | 1.74 |
| Exempt Pacific | 3¼ | 207.4 | 207.4 | 217.3 | +0.9 | 1.78 |
| Extra Income | 5¼ | 38.96 | 38.96xd | 41.58 | -0.02 | 5.96 |
| Far East Emerg Econ | 5¼ | 45.73 | 45.73 | 49.18 | -0.21 | 1.30 |
| Fund Inv Tst | 5 | 108.6 | 108.6 | 115.9 | +0.30 | 1.48 |
| Fund Inv Tst Acc | 5 | 172.9 | 172.9 | 184.4 | +0.3 | 1.48 |
| Gilt & Fixed Int | 5¼ | 16.03 | 16.21xd | 17.31 | -0.11 | 11.49 |
| [illegible] | | | | | | |

**Britannia Life Unit Managers Ltd (1200)F**
190 West George St, Glasgow G2 2PA 041-332 3132

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Balanced Growth | 6 | 71.40 | 71.40 | 76.37 | +0.09 | 3.15 |
| Do (Accum) | 6 | 75.11 | 75.11 | 80.34 | +0.09 | 3.15 |
| Service Cos | 6 | 57.72 | 57.72 | 61.73 | +0.14 | 2.65 |
| Do (Accum) | 6 | 60.08 | 60.08 | 64.26 | +0.15 | 2.65 |
| Income Growth | 6 | 44.61 | 44.61 | 47.71 | +0.09 | 5.36 |
| Do (Accum) | 6 | 60.85 | 60.85 | 65.08 | +0.12 | 5.36 |
| Higher Yield | 6 | 31.74 | 31.74 | 33.95 | -0.06 | 5.12 |
| Do (Accum) | 6 | 39.27 | 39.27 | 42.00 | -0.04 | 5.12 |
| American Grb Inc | 6 | 26.86 | 26.86xd | 28.73 | ..... | 2.11 |
| Do (Accum) | 6 | 27.37 | 27.37 | 29.27 | ..... | 2.11 |
| European Growth | 6 | 25.46 | 25.46xd | 27.23 | +0.05 | 1.43 |
| Do (Accum) | 6 | 25.95 | 25.95 | 27.75 | +0.05 | 1.43 |
| Global Bond Inc | 6 | 21.98 | 22.08 | 23.62 | +0.09 | 6.69 |
| Do (Accum) | 6 | 24.71 | 24.83 | 26.56 | +0.10 | 6.69 |
| Managed P'folio Inc | 6 | 23.46 | 23.46 | 25.09 | +0.03 | - |
| (Do Accum) | 6 | 23.46 | 23.46 | 25.09 | +0.03 | - |

**Brown Shipley & Co Ltd (1000)F**
9-17 Perrymount Rd Haywards Hth 0444 412262/3/4/5

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Mngd P'folio Inc | 6 | 78.49 | 79.27xd | 84.42 | +0.65 | 3.09 |
| Mngd P'folio Acc | 6 | 142.7 | 144.1 | 153.5 | +1.20 | - |
| UK General | 6 | 114.0 | 114.0 | 121.4 | +0.19 | 4.46 |
| Cons & General | 6 | 17.61 | 17.61xd | 18.75 | +0.19 | 9.36 |
| European Inc | 6 | 19.93 | 19.93 | 21.50 | +0.19 | 0.53 |
| European Acc | 6 | 20.37 | 20.37 | 21.97 | +0.19 | - |
| Exempt | 3 | 272.2 | 272.2 | 288.4 | -0.50 | 4.55 |
| Financial | 6 | 114.7 | 114.7xd | 122.2 | +1.10 | 5.51 |
| German | 6 | 34.66 | 34.66 | 36.91 | +0.02 | 0.11 |
| High Income | 6 | 64.91 | 64.91xd | 69.19 | -0.07 | 7.39 |
| Income | 6 | 93.24 | 96.04 | 103.2 | +0.60 | 5.46 |
| Intl Income | 6 | 81.37 | 81.80 | 87.52 | ..... | 4.40 |
| Intl Growth ◆ | 6 | 25.58 | 25.58 | 27.24 | +0.20 | 0.25 |
| Monthly Income | 6 | 55.40 | 57.14 | 60.85 | -0.30 | 4.62 |
| North American | 6 | 63.21 | 63.76 | 67.91 | +0.13 | 0.32 |
| Orient ◆ | 6 | 95.75 | 95.75 | 102.0 | +0.20 | - |
| PEP | 5 | 56.45 | 56.45 | 60.64 | +0.23 | 4.98 |
| Recovery | 6 | 33.20 | 33.20 | 36.52 | +0.16 | 2.64 |
| Smaller Cos Acc | 6 | 178.1 | 178.1 | 189.7 | +2.80 | - |
| Smaller Cos Inc | 6 | 107.6 | 107.6 | 114.6 | +1.60 | 2.59 |

**Brycourt Unit Tst Mgmt Ltd (1400)F**
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Income Growth | 1 | 185.1 | 185.1 | 192.0 | +6.2 | 6.14 |

**Buckmaster Mangmt Co Ltd (1200)H**
15 St Botolph Street, London EC3A 7JJ 071-247 4542

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Fellowship Tst ▼ | 5¼ | 51.79 | 53.01 | 56.40 | +0.19 | 3.35 |
| (Accum Units) ▼ | 5¼ | 55.01 | 56.30 | 59.90 | +0.19 | 3.35 |
| Income | 5¼ | 159.5 | 163.0 | 173.4 | +1.2 | 5.19 |
| (Accum Units) | 5¼ | 331.1 | 338.3 | 359.9 | +2.5 | 5.19 |
| Smaller Co's | 5¼ | 86.73 | 89.75 | 95.48 | +1.19 | 3.51 |
| (Accum Units) | 5¼ | 98.75 | 102.1 | 108.7 | +1.4 | 3.51 |
| Inv Portfolio ▼ | 3 | 50.54 | 50.54 | 52.31 | +0.07 | 2.95 |
| (Accum Units) ▼ | 3 | 54.57 | 54.57 | 56.48 | +0.07 | 2.95 |

[illegible]

**Marlborough Fund Managers Ltd (1630)F**
57 Victoria Square, Bolton, BL1 1LA 0204 364842

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Managed Tst | 5 | 47.02 | 47.41 | 50.43 | ..... | 5.27 |

**Martin Currie Unit Trusts Ltd (0905)H**
48 Melville St, Edinburgh EH3 7HF Dlng 031-220 4924

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Far East (Pacific)(z) | 5¼ | 89.77 | 89.77 | 95.29 | -0.75 | 0.44 |
| Income & Growth | 5¼ | 58.51 | 59.61xd | 63.28 | -0.13 | 5.16 |
| European (z) | 5¼ | 53.74 | 54.13xd | 57.46 | +0.49 | 1.24 |
| Nth American (z) | 5¼ | 33.30 | 33.30 | 35.35 | -0.12 | 1.48 |
| Intl Growth(9-1) | 5¼ | 57.28 | 58.31 | 61.89 | +0.05 | 0.81 |
| UK Growth | 5¼ | 52.32 | 52.32 | 55.54 | -1.12 | 2.58 |
| Intl Income | 5¼ | 45.11 | 45.99xd | 48.39 | -0.05 | 6.17 |
| High Yield | 5¼ | 45.00 | 45.66 | 48.47 | -0.02 | 7.10 |
| Charities | 5¼ | 88.84 | 90.14xd | 95.69 | -0.11 | 5.85 |
| Japan | 5¼ | 37.03 | 37.03xd | 39.30 | +0.03 | - |

**Matheson Unit Trust Managers Ltd (1200)H**
Admin. 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| UK Growth (4-1) | 6 | 65.87 | 65.87 | 70.45 | +0.01 | 3.31 |
| UK High Income | 6 | 33.81 | 33.81 | 36.16 | -0.40 | 5.59 |

**NFU Mutual Unit Mngrs Ltd (1400)F**
Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Avon Equity | 6 | 88.27 | 89.74 | 95.47 | +0.52 | 3.88 |

**NM Unit Trust Mngrs (1200)H**
The Bilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| American ▼ | 5¼ | 29.03 | 29.16 | 31.10 | -0.24 | 1.64 |
| (Accum Units) ▼ | 5¼ | 31.07 | 31.21 | 33.29 | -0.26 | 1.64 |
| Australian ▼ | 5¼ | 146.6 | 148.4xd | 159.2 | -2.6 | 3.45 |
| (Accum Units) ▼ | 5¼ | 165.1 | 167.2 | 179.3 | -2.9 | 3.45 |
| Conscience | 5¼ | 49.80 | 49.68 | 53.02 | +0.2 | 1.47 |
| (Accum Units) | 5¼ | 51.18 | 52.10 | 59.60 | +0.21 | 1.47 |
| European | 5¼ | 137.2 | 138.8 | 148.0 | +0.9 | 1.05 |
| (Accum Units) | 5¼ | 144.8 | 146.5 | 156.2 | +1.00 | 1.05 |
| Extra Income | 5¼ | 63.94 | 63.94 | 68.23 | +0.2 | 8.96 |
| (Accum Units) | 5¼ | 86.94 | 86.94 | 92.35 | +0.35 | 8.96 |
| Far East Gth Acc ▼ | 5¼ | 106.0 | 106.0 | 113.3 | +0.8 | .28 |
| Gilt & F.I | 5¼ | 50.83 | 50.83xd | 53.80 | -0.08 | 9.31 |
| (Accum Units) | 5¼ | 107.0 | 107.0 | 113.2 | -0.1 | 9.31 |

[illegible]

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours, (◆) - 1101 to 1400 hours, (◆) - 1401 to 1700 hours, (◆) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

# FT MANAGED FUNDS SERVICE

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## TSB Unit Trusts (1200)H

Charlton Pl, Andover, Hants SP10 1RE 0264 346794

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| TSB American | 6 | 119 99 | 120 85 | 128 56 | [illegible] | 0 5 |
| Do Accum | 6 | 131.16 | 132 1 | 140 52 | [illegible] | 0 5 |
| TSB Brit Growth | 6 | 70 59 | 71.69 | 76 26 | -0 72 | 0 5 |
| Do Accum | 6 | 78.04 | 79 27 | 84 32 | [illegible] | 3 41 |
| TSB European | 6 | 72.0 | 72 34xd | 76 95 | [illegible] | [illegible] |
| Do Accum | 6 | 74.61 | 74 97xd | 79 75 | [illegible] | 1 07 |
| TSB Extra Income | 6 | 155 94 | 157.23xd | [illegible] | [illegible] | [illegible] |
| Do Accum | 6 | 224.32 | 226 78xd | 241 [illegible] | [illegible] | [illegible] |
| TSB Smaller Cos | 6 | 41 42 | 42.95xd | 45 69 | [illegible] | [illegible] |
| Do Accum | 6 | 43.83 | 45 49xd | 48 39 | [illegible] | 2 96 |
| TSB General | 6 | 216 85 | 216 85xd | 230 69 | [illegible] | 2 86 |
| Do Accum | 6 | 404 61 | 404 61xd | 430 43 | [illegible] | 3 0 |
| TSB Premier Income | 5 | 43 34 | 43.78 | 45 81 | [illegible] | 3 8 |
| Do Accum | 5 | 77 56 | 78 72 | 83 99 | [illegible] | [illegible] |
| TSB Income | 6 | 292 85 | 298 15 | 317 19 | [illegible] | 5 64 |
| Do Accum | 6 | 544 4 | 554 27 | 589 64 | [illegible] | 5 23 |
| TSB Pacific | 6 | 209 49 | 211 29 | 224 77 | [illegible] | [illegible] |
| Do Accum | 6 | 217 98 | 219.85 | 233 89 | [illegible] | [illegible] |
| TSB International | 6 | 366 25 | 366.25 | 389 62 | [illegible] | [illegible] |
| Do Accum | 6 | 469 79 | 469 79 | 499 77 | [illegible] | [illegible] |
| TSB Nat Resources | 6 | 57 92 | 58 45 | 62 18 | -0 71 | 1 79 |
| Do Accum | 6 | 62 86 | 63.41 | 67 45 | -0 71 | 1 79 |
| TSB Sictd Opps | 6 | 77 0 | 77 84 | 82 8 | [illegible] | [illegible] |
| Do Accum | 6 | 91 9 | 92 9 | 98 86 | [illegible] | 3 39 |
| Environmental Inv | 6 | 44 89 | 44 87xd | 47 75 | -0 31 | 2.79 |
| Do Accum | 6 | 46 31 | 46.31xd | 49 26 | -0.31 | 2.79 |
| TSB Selector | 6 | 46 68 | 47 42 | 50 44 | [illegible] | [illegible] |
| Do Accum | 6 | 48 1 | 48 87 | 51 98 | [illegible] | [illegible] |
| TSB High Income | 6 | 49 68 | 50 62 | 53 85 | [illegible] | [illegible] |
| Do Accum | 6 | 51 01 | 51 97 | 55 29 | [illegible] | 5 85 |
| TSB Intl Income | 6 | 49 25 | 49 54 | 52 7 | [illegible] | [illegible] |
| Do Accum | 6 | 49 25 | 49 54 | 52 7 | [illegible] | [illegible] |
| TSB Selector Income | 6 | 49 16 | 49 76 | 52 93 | [illegible] | [illegible] |
| Do Accum | 6 | 49 16 | 49.76 | 52 93 | -0 1 | 6 23 |

## Target Trust Mngrs Ltd (1600)F

Target Hse, Gatehouse Rd Aylesbury, Bucks

Admin: 0296 394000 Dealing 0296 [illegible]

| | | | | | | |
|---|---|---|---|---|---|---|
| American Eagle | 5 | 70 62 | 70 62 | 75.27 | [illegible] | [illegible] |
| Australia | 5 | 5 308 | 5 308xd | 5 685 | [illegible] | [illegible] |
| Equity | 5 | 158 6 | 158 6 | 170.2 | [illegible] | [illegible] |
| Euro Spec Sits | 5 | 107 1 | 107 1 | 115 4 | [illegible] | [illegible] |
| Financial | 5 | 28.42 | 28 42 | 30 52 | [illegible] | [illegible] |
| Global Opps Inc | 5 | 62.51 | 62.51 | 67 25 | [illegible] | [illegible] |
| Global Opps Acc | 5 | 63.86 | 63 86 | 68 71 | [illegible] | [illegible] |
| Gold & Gen Inc | 5 | 35.28 | 35 28 | 37 92 | [illegible] | 1 45 |
| Gold & Gen Acc | 5 | 65 96 | 65 96 | 70 90 | [illegible] | 1 45 |
| Income | 5 | 100 2 | 100 2xd | 107 8 | [illegible] | [illegible] |
| Japan & General | 5 | 124 6 | 124 6 | 133 9 | [illegible] | [illegible] |
| Preference Share | 5 | 18 82 | 19.10 | 20 55 | [illegible] | [illegible] |
| UK Capital | 5 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## M & G Securities Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| [illegible] | [illegible] | 100 07 | -0 2 | 10 78 |
| [illegible] | [illegible] | 504 96 | -1 0 | 10 78 |
| [illegible] | [illegible] | 41 49xd | [illegible] | 9 72 |

## Morgan Grenfell Unit Trust Managers Ltd

## Murray Johnstone UT Mngmt

## Phillips & Drew Fund Management Ltd

## INSURANCES

## OTHER UK UNIT TRUSTS

Continued on next page

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**N & P Life Assurance Ltd**
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Life Managed Fd | 99.9 | 105.2 | -0.1 | - |
| Pension Managed Fd | 96.0 | 101.1 | -0.2 | - |
| Life Deposit Fd | 105.0 | 110.5 | ..... | - |
| Pension Deposit Fd | 109.2 | 114.9 | ..... | - |

**National Financial Management Corp PLC**
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Life Funds** | | | | |
| Managed Cautionary | 106.0 | 115.9 | ..... | - |
| Managed Growth | 129.3 | 141.4 | ..... | - |
| Managed Opportunity | 125.3 | 137.7 | ..... | - |
| NFMC Target Financial | 96.8 | 104.1 | ..... | - |
| **Pension Funds** | | | | |
| Managed Cautionary | 114.3 | 125.0 | ..... | - |
| Managed Growth | 135.1 | 148.5 | ..... | - |
| Managed Opportunity | 127.5 | 139.4 | ..... | - |
| NFMC Target Mngd Pen | 1425.9 | 1549.9 | ..... | - |

**National Mutual Life**
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Harvester Pension Funds** | | | | |
| Managed | 151.6 | 159.6 | ..... | - |
| UK Equity | 158.2 | 166.6 | ..... | - |
| Overseas Equity | 124.2 | 130.8 | ..... | - |
| Fixed Interest | 142.5 | 150.1 | ..... | - |
| Property | 130.1 | 137.0 | ..... | - |
| Index Linked | 144.3 | 151.9 | ..... | - |
| Deposit | 151.3 | 159.3 | ..... | - |
| With Profits (B) | 126.5 | 133.2 | ..... | - |

**National Provident Institution**
48 Gracechurch St, London EC3P 3HH 071-623 4200

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed | 335.2 | 352.9 | ..... | - |
| UK Equity | 426.0 | 448.5 | -0.3 | - |
| Overseas Eq | 322.1 | 339.1 | +1.0 | - |
| Americas | 251.2 | 264.5 | -1.6 | - |
| Far East | 334.4 | 352.1 | +1.6 | - |
| Property | 193.6 | 203.8 | ..... | - |
| Fixed Int | 252.3 | 265.6 | -0.3 | - |
| Indexed Gilt | 150.7 | 158.7 | ..... | - |
| Deposit | 177.5 | 186.9 | ..... | - |
| **Pension Fund (Accum Units)** | | | | |
| Managed | 469.6 | 494.4 | -0.3 | - |
| UK Equity | 552.4 | 581.5 | -0.7 | - |
| Overseas Eq | 532.6 | 560.7 | +1.1 | - |
| Americas | 329.9 | 347.3 | -2.3 | - |

**Prosperity Life Assurance Ltd**
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Initial Equity | 150.5 | 158.5 | -0.5 | - |
| Accum Equity | 213.0 | 224.5 | ... | - |
| Accum Managed | 218.5 | 230.5 | ... | - |
| Accum Five Star | 162.0 | 171.0 | +0.5 | - |
| Accum World | 117.0 | 124.0 | +0.5 | - |
| Accum Lifetime | 108.1 | 108.1 | -0.1 | - |
| Pens Acc Equity | 229.5 | 242.0 | ... | - |
| Pens Acc Managed | 270.5 | 285.0 | -0.5 | - |
| Pens Acc Intl | 193.5 | 204.5 | ... | - |
| Pens Acc Deposit | 192.5 | 203.0 | ... | - |
| Pens Acc Five Star | 175.5 | 185.0 | +0.5 | - |

**Providence Capitol Life Assc. Co Ltd**
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| UK Equity Acc | 217.9 | 229.9 | +0.3 | - |
| UK Fixed Int Acc | 168.5 | 177.8 | ... | - |
| Intl Equities Acc | 164.8 | 173.9 | ... | - |
| UK Managed Acc | 167.6 | 176.7 | +0.1 | - |
| Property Acc | 225.4 | 237.8 | ... | - |
| Money Acc | 126.3 | 133.3 | ... | - |
| Special Market Acc | 125.6 | 132.5 | -1.2 | - |
| Japan Equity Acc | 98.8 | 104.3 | -0.1 | - |
| North American Acc | 96.0 | 101.3 | -0.2 | - |
| Pacific Acc | 84.7 | 89.4 | -0.3 | - |
| Technology Acc | 105.6 | 111.4 | +0.2 | - |
| Nat Resources Acc | 51.6 | 54.5 | +0.1 | - |
| European Acc | 97.3 | 102.7 | +1.2 | - |
| Residential Prop Acc | 95.7 | 101.0 | ... | - |
| Swiss Equities Acc | 33.9 | 35.8 | +0.3 | - |
| Hong Kong Acc | 55.5 | 58.6 | +0.2 | - |
| UK High Inc Eq Acc | 72.7 | 76.7 | +0.6 | - |
| Int Fixed Interest Acc | 54.7 | 57.8 | -0.1 | - |
| Int Managed Acc | 53.9 | 56.8 | ..... | - |
| HIP Managed Acc | 107.5 | 113.3 | -0.4 | - |
| HIP Managed II Acc | 94.6 | 99.7 | +0.1 | - |
| HIP Managed III Acc | - | - | ... | - |
| **Total Investment Bond** | | | | |
| UK Equity Initial | | 148.8 | +0.2 | - |
| UK Fixed Int Initial | | 115.3 | ... | - |
| Intl Equities Initial | | 111.8 | -0.1 | - |
| UK Managed Initial | | 114.7 | +0.1 | - |
| Property Initial | | 155.3 | ... | - |
| Money Initial | | 86.9 | +0.1 | - |
| Special Market Initial | | 98.0 | -0.8 | - |
| Japan Equity Initial | | 77.0 | -0.1 | - |
| North American Initial | | 74.8 | -0.1 | - |
| Pacific Initial | | 66.0 | -0.3 | - |
| Technology Initial | | 82.3 | +0.2 | - |
| Nat Resources Initial | | 40.2 | +0.1 | - |
| European Initial | | 87.6 | +1.0 | - |
| Residential Prop Init | | 91.8 | ... | - |
| Swiss Equities Initial | | 32.5 | +0.2 | - |

## OFFSHORE INSURANCES

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

### CANADA (SIB RECOGNISED)

### GUERNSEY (SIB RECOGNISED)

### GUERNSEY (REGULATED)

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| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Nikko Capital Mngt (Europe) Ltd** | | | | |
| Japan Index Fund | Y2.918 | 2.947 | | - |
| New Generation Fd $ | $23.07 | 23.31 | | - |
| Japan Index Alpha | Y9.007 | 9.144 | | - |
| Jap Sector Rotation | Y7.438 | 7.548 | | - |
| Jap Cap Gwth CB | [illegible] | [illegible] | | - |
| **Saracin Funds Mngmt (Guernsey) Ltd** | | | | |
| GlobalSar-Fergus £ | £12.46 | 13.31 | | - |
| GlobalSar-Fergus US$ | $23.90 | 25.53 | | - |
| GlobalSar-Fergus SFr | SFr31.40 | 33.54 | | - |
| **Spedi International (Guernsey) Ltd** | | | | |
| Intl Bond | $10.67 | 10.85 | | - |
| Intl Dollar | $10.40 | 10.41 | | - |
| Intl Equity | $11.66 | 12.07 | | - |
| Falcon High Income | $91.96 | 92.14 | | - |
| **Schroder Investment Mngmt (Guernsey) Ltd** | | | | |
| Latin American | $12.2010 | 12.9092 | | |
| **Stonehenge Fund Mngrs Ltd** | | | | |
| Intl Man Fd | $11.53 | 11.59 | | - |
| **U.S. Treasury Securities Fund Ltd** | | | | |
| Short Term Shares | | $752.76 | | - |
| Fixed Income Shares | | $873.22 | | - |
| **Yamaichi Capital Mangmt (Guernsey) Ltd** | | | | |
| Japan Meta Growth | | $10.95 | -0.06 | - |
| Yamaichi SS Fund | | $7.09 | -0.01 | - |
| Yamaichi CB Plus Fund | | $8.69 | -0.02 | - |
| Total Ivr Fund | | $10.03 | | - |

## IRELAND (SIB RECOGNISED)

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **GAM Fund Management Ltd (u)** | | | | | | |
| 29 Kildare Street, Dublin 010 353 1760 630 | | | | | | |
| GAM Universal US Dlr Acc | | $- | 112.26 | | | - |
| GAM Universal US Dlr Inc | | $- | 112.26 | | | - |
| GAM Universal DM Acc | | DM- | 111.09 | | | - |
| GAM Universal DM Inc | | DM- | 111.09 | | | - |
| **MI Global Asset Mngmt Co Ltd "MI Trusts"** | | | | | | |
| MI Global Dollar | | $- | 1.00 | 1.07 | | - |

## IRELAND (REGULATED)(**)

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Bank of Ireland Unit Managers Ltd** | | | | |
| Global Scap | 99.81 | 16.10 | | - |
| European Bond | DM- | - | | - |
| **Baring International Fd Mngrs (Ireland) Ltd** | | | | |
| Australia | $13.93 | 14.64 | -0.26 | 1.05 |
| Japan Tech | $61.69 | 64.79 | +0.27 | - |
| Japan Fund | $25.84 | 27.14 | -0.04 | 0.17 |
| Japan New Gwth Fd | $18.81 | 19.76 | +0.19 | - |
| Malay Sing | $55.86 | 58.66 | +0.40 | 0.31 |
| Nth American | $20.32 | 21.34 | | 0.58 |
| Octopus Fund | $20.52 | 21.56 | +0.26 | 0.88 |
| Pacific Fd | $51.54 | 54.12 | +0.21 | - |
| International Bond | $16.44 | 17.28 | -0.07 | 6.89 |
| Tristar Warrant | $11.57 | 12.15 | +0.10 | - |
| Mngd Portfolio (Stlg) | £3.99 | 4.30 | +0.04 | - |
| Mngd Portfolio (Dlr) | $10.21 | 10.81 | | - |
| Currency Fd-Sterling | £18.36 | | | - |
| Currency Fd-US Dollar | $14.84 | | +0.01 | - |
| Curr Fd-Deutschemark | DM38.84 | | | - |
| Curr Fd-Managed $ | $42.48 | 44.60 | -0.04 | - |

## ISLE OF MAN (SIB RECOGNISED)

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Allied Dunbar Intl Fund Mgrs (1600)F** | | | | | | |
| Lord Street, Douglas IoM 0624 661551 | | | | | | |
| ADI Managed(z) | 5 | [illegible] | 0.5828 | 0.6206 | [illegible] | - |
| ADI Mgd Currency(z) | 5 | [illegible] | 0.3906 | 0.4112 | [illegible] | - |
| ADI W'wide Eq(z) | 5 | [illegible] | 0.6417 | 0.6834 | [illegible] | - |
| ADI Nth Amer Gth(z) | 5 | [illegible] | 0.6905 | 0.7353 | [illegible] | - |
| ADI Far East (z) | 5 | [illegible] | 1.1198 | 1.1925 | [illegible] | - |
| ADI Gilt & Income(z) | 5 | [illegible] | 0.2456 | 0.2588 | [illegible] | - |
| ADI UK Cap Gth (z) | 5 | [illegible] | 0.2117 | 0.2254 | [illegible] | - |
| ADI Europe Fd (z) | 5 | [illegible] | 1.1554 | 1.2291 | [illegible] | - |
| For conversion Prices of Shares Phone 0624 662860 | | | | | | |
| **Asset Global Funds Ltd** | | | | | | |
| Abacus Hse, Mona St, Douglas, IoM 0624 620097 | | | | | | |
| French Equity | 5 | [illegible] | 130.0 | 138.2 | | - |
| UK Gilt | 5 | [illegible] | 9.94 | 10.46 | | - |
| UK Equity | 5 | [illegible] | 13.30 | 14.24 | | - |
| US Bond | 5 | [illegible] | 9.72 | 10.36 | | - |
| **CMI Fund Managers (IoM)** | | | | | | |
| Clerical Medical Hse, Douglas, IoM 0624 625599 | | | | | | |
| High Income | 5 | [illegible] | 0.4901 | 0.5160 | [illegible] | [illegible] |

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F** | | | | | | |
| PO Box 63 Bond Street St Helier Jersey 0534 76029 | | | | | | |
| Stlg Fixed Int | [illegible] | [illegible] | 1.117 | 1.169 | [illegible] | 10.09 |
| Offshore High Yield | [illegible] | [illegible] | 1.419 | 1.497 | [illegible] | 14.93 |
| Global Equity Fund | [illegible] | [illegible] | 14.95 | 15.56 | +0.10 | 1.04 |
| European Equity | [illegible] | [illegible] | 17.61 | 18.83 | +0.20 | 2.05 |
| US Growth Fund | [illegible] | [illegible] | 4.634 | 4.956 | [illegible] | 3.10 |
| Nth American Eqty | [illegible] | [illegible] | 9.842 | 10.46 | [illegible] | 0.24 |
| Far Eastern Eqty | [illegible] | [illegible] | 9.702 | 10.37 | [illegible] | 0.32 |
| International Eqty | [illegible] | [illegible] | 9.772 | 10.45 | [illegible] | 1.09 |
| **Intnl. Bond Fund** | | | | | | |
| Sterling Managed | [illegible] | £10.29 | 10.29 | 10.95 | -0.01 | 9.03 |
| US Dollar Managed | [illegible] | $13.37 | 13.37 | 14.23 | -0.01 | 6.34 |
| **International Currency Fund** | | | | | | |
| Sterling Managed £ | [illegible] | [illegible] | 25.29 | 26.76 | | - |
| US Dollar Managed $ | [illegible] | [illegible] | 29.22 | 30.92 | | - |
| Sterling ◆ ‡ | 0 | [illegible] | 24.33 | 24.33 | +0.01 | 13.08 |
| US Dollar ◆ ‡ | 0 | $37.54 | 37.54 | 37.54 | -0.01 | 5.51 |
| Deutschmark ◆ ‡ | 0 | [illegible] | 59.01 | 59.01 | -0.02 | 7.75 |
| Japanese Yen ◆ ‡ | 0 | [illegible] | 4.785 | 4.785 | [illegible] | 6.33 |
| Swiss Franc ◆ ‡ | 0 | [illegible] | 46.02 | 46.02 | -0.01 | 6.75 |
| Irish Punt ◆ ‡ | 0 | [illegible] | 22.01 | 22.01 | | 16.06 |
| **INVESCO MIM International (Jersey) Ltd** | | | | | | |
| PO Box 271 St Helier, Jersey 0534 73114 | | | | | | |
| Jersey Gilt (z) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 9.24 |
| **Lloyds Bank (CI) U/T Mgrs.** | | | | | | |
| PO Box 195 St Helier Jersey 0534 27561 | | | | | | |
| Lloyds Tst Gilt | [illegible] | [illegible] | 9.482 | 9.730 | [illegible] | [illegible] |
| Dealing daily | | | | | | |
| **Midland Bank Fund Managers (Jersey) Ltd** | | | | | | |
| PO Box 26 St Helier, Jersey 0534 37788 | | | | | | |
| Intl Circuit Portfolio | 6 | 97.10 | 97.10 | 102.97 | | 0.00 |
| Gilt | 3 | 93.14 | 93.14 | 96.05 | -0.04 | 10.41 |
| For MIM see INVESCO MIM | | | | | | |
| **Royal Trust Jsy Fd Mngt Ltd (1400)F** | | | | | | |
| PO Box 428, St Helier, Jersey 0534 76077 | | | | | | |
| Govt Secs Fd | 4 | [illegible] | [illegible] | [illegible] | -0.08 | 11.28 |
| **TSB Trust Funds (CI)** | | | | | | |
| PO Box 538 St Helier, Jersey 0534 73494 | | | | | | |
| TSB Offshore Investment Fund Ltd | | | | | | |
| Stg Deposit Class | 3 | 103.92 | 103.92 | 106.63 | [illegible] | 12.75 |
| Gilt & Fixed Interest | 5 | 103.39 | 103.39 | 108.53 | -1.23 | 11.63 |
| Blue Chip & Gilt Edges | 5 | 49.09 | 49.09 | 52.26 | -0.04 | 5.55 |
| International Bond | 5 | 103.96 | 103.96 | 109.17 | -0.69 | 7.52 |
| UK Equity | 5 | 94.17 | 94.17 | 101.80 | +0.33 | 2.62 |
| International Equity | 5 | 97.66 | 97.66 | 104.31 | -0.37 | 0.43 |
| Far Eastern | 5 | 81.50 | 81.50 | 87.28 | -0.06 | 0.00 |

[illegible]

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Xiphias International Investment Fd Ltd** | | | | |
| Xiphias Int. USD | $1.0309 | | | - |
| Xiphias Int. ECU | Ecu0.9736 | | | - |

### MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U S dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. b Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase, all ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey - Financial Services Commission; Ireland - Central Bank of Ireland; Isle of Man - Financial Supervision Commission; Jersey - Commercial Relations Department; Luxembourg - Institut Monétaire Luxembourgeois.

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Dollar above Far East lows

THE DOLLAR was slightly weaker on the day in London, but finished above the levels seen in the Far East earlier in the day. It was reported that Bank Negara, the Malaysian central bank, bought dollars for D-Marks, helping to lift the US currency by squeezing short positions.

There were no fresh factors. The dollar showed little reaction to a fall of 1.7 per cent in January US factory orders, with December revised down to a fall of 0.5 per cent from an unchanged figure. A January decline of around 1.0 per cent was expected.

The main news of the week is likely to be Friday's US employment data for February. Sentiment suggests that the closing out of short dollar positions will continue in expectation that February's fall in non-farm payrolls will be much lower than the sharp January drop of 232,000.

January's employment news prompted the last easing of the Federal Reserve's monetary stance, including a cut in the US discount rate, but unless the February figures are exceptionally weak the market is not looking for a similar reaction this time. The US authorities are expected to see what impact the successful conclusion to the *Gulf* war has on the economy before deciding its next move.

In Tokyo the dollar closed at DM1.5285 yesterday, but rallied to finish in London at DM1.5330 compared with DM1.5365 on Monday. It showed a similar trend against the Japanese yen, falling to Y135.35 from Y135.50 in London, but finishing above the Tokyo close of Y134.90. In London the dollar also declined to FFr5.2225 from FFr5.2300 and to SFr1.3350 from SFr1.3380. Its index fell to 61.9 from 62.1.

Sterling was slightly firmer overall, also lacking market moving news. There are no important UK statistics this week, but dealers are waiting for tomorrow's by-election in the Ribble Valley to provide an indication of the Government's standing with the electorate. This may provide a pointer towards the timing of the next UK general election.

The pound gained ½ cent to $1.9020. It was unchanged at DM2.9150, but rose to FFr9.9325 from FFr9.9225; to SFr2.5400 from SFr2.5375; and to Y257.50 from Y257.00. Sterling's index climbed 0.1 to 93.8.

Within the European Monetary System the pound remained slightly head of the weakest placed French franc. Wholesale interest rastes had a slightly softer tone on Madrid yesterday, but Monday's failure of the Bank of Spain to ease its credit policy pushed the peseta up to its limit against the franc in the EMS exchange rate mechanism.

There was no sign of intervention by the Bank of France however. The French authorities have indicated that as long as franc is trading comfortably against the D-Mark they regard strains within the ERM as a problem for Madrid to solve.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Mar 5 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Spanish Peseta | 133.631 | 127.663 | -4.47 | 6.01 | 78 |
| Belgian Franc | 42.4032 | 42.2260 | -0.42 | 1.70 | 28 |
| Italian Lira | 1538.24 | 1532.14 | -0.40 | 1.68 | 27 |
| D-Mark | 2.05586 | 2.04983 | -0.29 | 1.57 | 29 |
| Dutch Guilder | 2.31643 | 2.31048 | -0.26 | 1.53 | 20 |
| Irish Punt | 0.767417 | 0.769485 | 0.27 | 1.00 | -5 |
| Danish Krone | 7.84195 | 7.87879 | 0.47 | 0.80 | -14 |
| Sterling | 0.696904 | 0.703650 | 0.97 | 0.30 | -19 |
| French Franc | 6.89509 | 6.98286 | 1.27 | 0.00 | -61 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

### £ IN NEW YORK

| Mar.5 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.8940-1.8950 | 1.8988-1.8998 |
| 1 month | 1.03-1.01pm | 1.05-1.04pm |
| 3 months | 2.70-2.67pm | 2.67-2.64pm |
| 12 months | 7.88-7.78pm | 7.70-7.60pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

| | Mar 5 | Previous |
|---|---|---|
| 8.30 am | 93.8 | 93.7 |
| 9.00 am | 93.7 | 93.7 |
| 10.00 am | 93.7 | 93.7 |
| 11.00 am | 93.8 | 93.7 |
| Noon | 93.7 | 93.7 |
| 1.00 pm | 93.8 | 93.7 |
| 2.00 pm | 93.8 | 93.7 |
| 3.00 pm | 93.8 | 93.7 |
| 4.00 pm | 93.8 | 93.7 |

### CURRENCY MOVEMENTS

| Mar 5 | Bank of England Index | Morgan** Guaranty Changes % |
|---|---|---|
| Sterling | 93.8 | -18.6 |
| U.S Dollar | 61.9 | -16.8 |
| Canadian Dollar | 102.7 | +0.7 |
| Austrian Schilling | 110.6 | +12.4 |
| Belgian Franc | 112.5 | -1.5 |
| Danish Krone | 110.9 | +5.1 |
| D-Mark | 120.0 | +25.9 |
| Swiss Franc | 112.2 | +20.1 |
| Dutch Guilder | 115.5 | +16.8 |
| French Franc | 104.2 | -12.4 |
| Lira | 100.7 | -18.8 |
| Yen | 130.8 | +63.8 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Mar.4

### CURRENCY RATES

| Mar 5 | Bank rate % | Special ° Drawing Rights | European † Currency Unit |
|---|---|---|---|
| Sterling | - | 0.742595 | 0.703650 |
| U.S Dollar | 6.00 | 1.40796 | 1.34221 |
| Canadian $ | 9.97 | 1.62676 | 1.54999 |

### POUND SPOT - FORWARD AGAINST THE POUND

| Mar 5 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.8990 - 1.9120 | 1.9015 - 1.9025 | 1.03-1.01cpm | 6.44 | 2.70-2.67pm | 5.65 |
| Canada | 2.1905 - 2.2080 | 2.1935 - 2.1945 | 0.65-0.56cpm | 3.31 | 1.56-1.42pm | 2.72 |
| Netherlands | 3.2800 - 3.2910 | 3.2800 - 3.2900 | 1¼-1cpm | 4.11 | 2⅞-2⅝pm | 3.35 |
| Belgium | 59.80 - 60.20 | 59.95 - 60.05 | 22-17cpm | 3.90 | 53-42pm | 3.17 |
| Denmark | 11.1785 - 11.2140 | 11.2025 - 11.2125 | 3½-2¼orepm | 3.15 | 7¼-6¼pm | 2.43 |
| Ireland | 1.0910 - 1.1060 | 1.0940 - 1.0950 | 0.27-0.18cpm | 2.47 | 0.59-0.39pm | 1.79 |
| Germany | 2.9100 - 2.9215 | 2.9125 - 2.9175 | 1-¾pfpm | 3.86 | 2½-2¼pm | 3.34 |
| Portugal | 252.80 - 254.80 | 253.60 - 254.60 | 1-34cdis | -0.83 | 71-149dis | -1.73 |
| Spain | 180.85 - 181.75 | 181.30 - 181.60 | 19-26cdis | -1.49 | 62-73dis | -1.49 |
| Italy | 2172.80 - 2181.40 | 2177.25 - 2178.25 | 2lirepm-par | 0.55 | 2pm-par | 0.18 |
| Norway | 11.3620 - 11.4125 | 11.4025 - 11.4125 | 2¼-1⅞orepm | 2.17 | 5¾-4¾pm | 1.73 |
| France | 9.9110 - 9.9385 | 9.9275 - 9.9375 | 3¼-3cpm | 3.78 | 7¾-7½pm | 3.05 |
| Sweden | 10.8015 - 10.8435 | 10.8225 - 10.8325 | 1-¾orepm | 0.97 | 1¾-⅞pm | 0.42 |
| Japan | 256.70 - 258.00 | 257.00 - 258.00 | 1⅛-1ypm | 4.95 | 2⅞-2¾pm | 4.37 |
| Austria | 20.46 - 20.51 | 20.46 - 20.49 | 7⅞-6¼gropm | 4.29 | 18¼-16¼pm | 3.35 |
| Switzerland | 2.5305 - 2.5450 | 2.5350 - 2.5450 | 1⅛-1cpm | 5.02 | 2¾-2⅝pm | 4.23 |
| Ecu | 1.4185 - 1.4210 | 1.4190 - 1.4200 | 0.46-0.41cpm | 3.68 | 1.07-1.01pm | 2.93 |

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.81-4.76cpm . 12 Month 7.88-7.78pm

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Mar 5 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.8990 - 1.9120 | 1.9015 - 1.9025 | 1.03-1.01cpm | 6.44 | 2.70-2.67pm | 5.65 |
| Ireland† | 1.7415 - 1.7465 | 1.7425 - 1.7435 | 0.62-0.57cpm | 4.10 | 1.75-1.65pm | 3.90 |
| Canada | 1.1530 - 1.1570 | 1.1545 - 1.1555 | 0.29-0.32cdis | -3.17 | 0.55-0.59dis | -1.97 |
| Netherlands | 1.7165 - 1.7290 | 1.7270 - 1.7280 | 0.32-0.34cdis | -2.29 | 0.96-1.01dis | -2.28 |
| Belgium | 31.35 - 31.60 | 31.50 - 31.60 | 6.00-8.00cdis | -2.66 | 17.00-22.00dis | -2.47 |
| Denmark | 5.8545 - 5.8950 | 5.8900 - 5.8950 | 1.48-1.78oredis | -3.32 | 4.50-5.10dis | -3.26 |
| Germany | 1.5230 - 1.5360 | 1.5325 - 1.5335 | 0.30-0.32pfdis | -2.43 | 0.89-0.92dis | -2.36 |
| Portugal | 133.10 - 133.85 | 133.75 - 133.85 | 78-83cdis | -7.22 | 240-260dis | -7.47 |
| Spain | 94.90 - 95.90 | 95.50 - 95.60 | 62-66cdis | -8.04 | 170-176dis | -7.24 |

## MONEY MARKETS

# A softer tone

INTEREST RATES were slightly easier at the short end on the London money market yesterday, after the Bank of England forecast a relatively modest day-to-day credit shortage, but longer term rates were firmer.

Three-month interbank was quoted at 12$\frac{11}{16}$-12$\frac{9}{16}$ compared with 12¾-12⅝ per cent, while 12-month money rose to 11$\frac{13}{16}$-11$\frac{11}{16}$ from 11¾-11⅝ per cent.

Trading in short sterling futures was subdued on Liffe. June was rather more active than March delivery. The June contract opened slightly lower at 88.68, but closed higher at 87.77, against 88.69 previously. March also gained ground, rising to 87.66 from 87.59.

**UK clearing bank base lending rate 13 per cent from February 27, 1991**

The Bank of England forecast a money market credit shortage of £650m and provided total assistance of £604m.

Before lunch the authorities bought £335m bills outright, by way of £19m Treasury bills in band 1 at 12⅞ per cent; £72m bank bills in band 1 at 12⅞ per cent; £1m Treasury bills in band 2 at 12¾ per cent; and £243m bank bills in band 2 at 12¾ per cent.

In the afternoon another £199m bills were purchased, via £174m bank bills in band 1 at 12⅞ per cent and £25m bank bills in band 2 at 12¾ per cent. Late assistance of around £70m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £617m, with exchequer transactions absorbing £40m and bank balances below target £65m. These outweighed a fall in the note circulation adding £65m to liquidity.

In Frankfurt call money was unchanged at 8.85 per cent, as dealers waited to see whether the Bundesbank will fully replace the DM33.3bn draining from the money market today as two securities repurchase agreements expire.

The central bank has offered new money to the market via a two-tranche tender for securities repurchase pacts, at a fixed rate of 8.50 per cent for 28-day funds and at variable bid rates for 57-day money.

In Madrid interbank rates were little changed, after the Bank of Spain's decision to keep its money market intervention rate unchanged on Monday.

Three-month money rose to 14.26 from 14.22 per cent and six month funds were unchanged at 14.25 per cent, but dealers still expect an easing of credit policy in the near future.

## FINANCIAL FUTURES AND OPTIONS

### CAC-40 FUTURES (MATIF) Stock Index

| | Open | Close | Change | High | Low | Open Int |
|---|---|---|---|---|---|---|
| March | 1781.0 | 1813.0 | - | 1815.0 | 1779.0 | 8,165 |
| April | 1796.0 | 1824.0 | - | 1824.0 | 1796.0 | 4 |
| May | 1808.0 | 1808.0 | - | 1808.0 | 1808.0 | 0 |
| June | - | - | - | - | - | 200 |

Estimated volume 7,562 Total Open Interest 8,369

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 13 | Co-operative Bank | 13 | Nat Bk. of Kuwait | 13½ |
| Adam & Company | 13 | Coutts & Co | 13 | NatWestminster | 13 |
| Allied Trust Bank | 13 | Cyprus Popular Bk | 13 | Northern Bank Ltd | 13 |
| AIB Bank | 13 | Dunbar Bank PLC | 13 | Nykredit Mortgage Bank | 13½ |
| ● Henry Ansbacher | 13 | Duncan Lawrie | 13 | Provincial Bank PLC | 15 |
| Associates Cap Corp | 15½ | Equatorial Bank plc | 13 | Roxburghe Bank Ltd. | 14½ |
| B & C Merchant Bank | 13 | Exeter Bank Limited | 13½ | Royal Bk of Scotland | 13 |
| Bank of Baroda | 13 | Financial & Gen. Bank | 13 | ● Smith & Williman Secs. | 13 |
| Banco Bilbao Vizcaya | 13 | First National Bank Plc | 16 | Standard Chartered | 13 |
| Bank Credit & Comm | 13 | ● Robert Fleming & Co. | 13 | TSB | 13 |
| Bank of Cyprus | 13 | Robert Fraser & Ptnrs. | 13½ | Unibank plc | 13 |
| Bank of Ireland | 13 | Girobank | 13 | ● United Bk of Kuwait | 13 |
| Bank of India | 13 | ● Guinness Mahon | 13 | United Mizrahi Bank | 13½ |
| Bank of Scotland | 13 | ● Hambros Bank | 13 | Unity Trust Bank Plc | 13 |
| Banque Belge Ltd | 13 | Hampshire Trust Plc | 14½ | Western Trust | 13 |
| Barclays Bank | 13 | Heritable & Gen Inv Bnk | 13 | Westpac Bank Corp. | 13 |
| Benchmark Bank | 13 | ● Hill Samuel | 13 | Whiteaway Laidlaw | 13 |
| Brit Bk of Mid East | 13 | C. Hoare & Co. | 13 | Yorkshire Bank | 13 |
| ● Brown Shipley | 13 | Hongkong & Shanghai | 13 | | |
| CL Bank Nederland | 13 | ● Leopold Joseph & Sons | 13 | | |
| ● Charterhouse Bank | 13 | Lloyds Bank | 13 | | |
| Citibank NA | 13 | Meghraj Bank Ltd | 13 | | |
| City Merchants Bank | 13 | McDonnell Douglas Bnk | 13 | | |
| Clydesdale Bank | 13 | Midland Bank | 13 | | |
| Comm.Bk.of London Plc | 13 | Mount Banking | 13 | | |

● Members of British Merchant Banking & Securities Houses Association.



# MONEY MARKET FUNDS

## Money Market Trust Funds

## Money Market Bank Accounts

JOTTER PAD

# CROSSWORD

No.7,486 Set by CINEPHILE

ACROSS

1 Remove mountains returned in cubes (8)
5 Way to retrieve from storage or temporarily from custody (6)
9 Power can result from old town on the Ganges (8)
10 Primitive creature to be turned into an extinct bird (6)
12 Poet swallows produce of keg left in friend's house (3,6)
13, 14 Hard drug injection by expert marksman (5,4)
16 Undergo transformation for reward (7)
19 Ruler gets on during progress (7)
21, 24 Quietly show warm approval about love in a high building (9)
25 Intrude sleuth with artistic qualification into open wound (9)
27 Empty-headed, like putting pig in cattery? (6)
28 Soft rich fabric makes female sick in church (8)
29 Don't talk to listeners: they may be cutting (6)
30 English coin (old) for journalist who has been to school (8)

DOWN

1 Solve mystery of fish in river (6)
2 Notice about comedian not wanted on beach (6)
3 Circuits point to drop in standard (5)
4 Nothing in old officer to indicate a peerage (7)
6 Purify yourself before attendance – make your confession (4,5)
7 Green stones for red males? (8)
8, 11 Garden pest eats ginger cake with doctor as starter (8,4)
15 Combine a right garment with the lady outside (9)
17 Stress part of statement the MP has issued (8)
18 Protect from rude word about a note (8)
20, 21 Very much inclined to be shrill (4-7)
22 Speculate about the world of dance (6)
23 It's beyond endurance? Fine! (3,3)
26 Section with projection (5)

Solution to Puzzle No.7,485

# WORLD STOCK MARKETS

## INDICES

### NEW YORK

| DOW JONES | Mar. 4 | Mar. 1 | Feb. 28 | Feb. 27 | 1991 HIGH | 1991 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| φIndustrials | 2914.11 | 2909.90 | 2882.18 | 2889.11 | 2934.65 (15/2) | 2470.30 (9/1) | 2999.75 (16/7/90) | 41.22 (2/7/32) |
| Home Bonds | 93.76 | 93.73 | 93.79 | 93.89 | 94.86 (15/2) | 91.30 (16/1) | 95.51 (9/2/87) | 54.99 (1/10/81) |
| Transport | 1142.45 | 1150.74 | 1131.17 | 1131.17 | 1150.74 (1/3) | 894.30 (7/1) | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 212.02 | 213.34 | 212.78 | 213.47 | 217.62 (11/2) | 199.64 (16/1) | 236.23 (2/1/90) | 10.50 (8/4/32) |

φDay's High 2950.74 (2923.51) Low 2897.03 (2846.78)

| STANDARD AND POOR'S | Mar. 4 | Mar. 1 | Feb. 28 | Feb. 27 | 1991 HIGH | 1991 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 369.33 | 370.47 | 367.07 | 367.74 | 370.47 (1/3) | 311.49 (9/1) | 370.47 (1/3/91) | 4.40 (1/6/32) |
| Industrials | 437.60 | 438.58 | 435.00 | 436.00 | 438.58 (1/3) | 364.90 (9/1) | 438.58 (1/3/91) | 3.62 (21/6/32) |
| Financial | 28.81 | 28.63 | 27.94 | 27.80 | 28.80 (13/2) | 21.96 (9/1) | 35.24 (9/10/89) | 8.64 (1/10/74) |
| NYSE Composite | 202.08 | 202.40 | 200.70 | 200.74 | 202.40 (1/3) | 170.97 (9/1) | 202.40 (1/3/91) | 4.46 (25/4/42) |
| Amex Mkt. Value | 349.80 | 348.14 | 346.13 | 342.97 | 348.14 (1/3) | 296.72 (14/1) | 397.03 (10/10/89) | 29.31 (9/12/72) |
| NASDAQ Composite | 461.13 | 456.73 | 453.05 | 450.82 | 456.73 (1/3) | 355.75 (14/1) | 485.73 (9/10/89) | 54.87 (31/10/72) |

| | Mar. 1 | Feb.22 | Feb.15 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.45 | 3.47 | 3.44 | 4.11 |
| | Feb.27 | Feb.20 | Feb.13 | year ago (approx.) |
| S & P Industrial div. yield | 2.89 | 2.19 | 2.91 | 3.16 |
| S & P Indl. P/E ratio | 17.75 | 17.77 | 17.89 | 14.32 |

### NEW YORK ACTIVE STOCKS

| Monday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Nabisco RJ | 5,032,500 | 9¾ | - ⅛ |
| Savin Bus. | 4,853,500 | ⅛ | — |
| Adv Micro | 3,799,500 | 9¾ | + 1¼ |
| Saatchi | 2,967,600 | 1¼ | + ⅛ |
| Philip Morris | 2,369,200 | 65⅜ | - ⅜ |
| Limited | 2,366,500 | 24⅛ | + ½ |
| Placer Dom | 2,339,000 | 15 | + ¼ |
| LTV | 2,301,900 | 2 | - ½ |
| Pan Am | 2,274,200 | 1⅝ | — |
| Sec Pacific | 2,150,000 | 29 | - 3 |

### TRADING ACTIVITY

| † Volume Millions | Mar. 4 | Mar. 1 | Feb. 28 |
|---|---|---|---|
| New York | 199.830 | 221.510 | 223.010 |
| Amex | 17.552 | 18.710 | 17.679 |
| NASDAQ | 149.792 | 160.529 | 171.463 |
| Issues Traded | 2,040 | 2,031 | 2,043 |
| Rises | 1,025 | 946 | 1,063 |
| Falls | 587 | 629 | 565 |
| Unchanged | 428 | 456 | 415 |
| New Highs | 107 | 72 | 96 |
| New Lows | 6 | 3 | 4 |

### CANADA

| TORONTO | Mar. 4 | Mar. 1 | Feb. 28 | Feb. 27 | 1991 HIGH | 1991 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3221.57 | 3150.33 | 3114.02 | 3105.03 | 3224.35 (18/2) | 2632.06 (9/1) |
| Composite | 3519.06 | 3471.42 | 3462.37 | 3445.06 | 3532.54 (18/2) | 3161.95 (15/1) |
| MONTREAL Portfolio | 1861.90 | 1832.47 | 1825.80 | 1818.74 | 1882.70 (18/2) | 1686.89 (9/1) |

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

**Saturday March 2: Taiwan Weighted Price: 4644.
♠ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, HEX General ... 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and ...

## TOKYO - Most Active Stocks

Tuesday 5 March 1991

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| K'sai Elec Rl | 19.3m | 1,770 | +50 | Howa Machinery | 10.8m | 1,170 | +20 |
| Kurabo Inds | 18.7m | 1,940 | +80 | Tokyu | 8.2m | 1,080 | +20 |
| S'tomo Mtl Ind | 13.6m | 517 | -13 | M'bishi Heavy | 7.8m | 810 | -15 |
| Dowa Mining | 12.0m | 790 | +22 | Sanyo Electric | 7.0m | 652 | +3 |
| Toshiba | 11.0m | 878 | +14 | M'bishi Electric | 7.0m | 780 | -18 |

Price data supplied by Telekurs.

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3:00 pm prices March 5

| 1991 High | 1991 Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 13⅞ | 9¼ | AAR Corp | | | 6 | 704 | u13⅞ | 13¼ | 13¼ | +⅛ |
| 25¼ | 21⅝ | A L Labs A | 0.16 | 0.01 | 19 | 271 | 24⅞ | 23⅞ | 24⅞ | +¾ |
| 52¾ | 40⅞ | AMP Inc | 1.44 | 0.03 | | 194883 | u54⅞ | 52 | 53½ | +1½ |
| 62¾ | 44¼ | AMR | | | | 984185 | 61⅞ | 60¼ | 61⅞ | +1⅜ |
| 2⅛ | 1¼ | ARX | | | 2 | 516 | 1⅝ | 1⅝ | 1⅝ | |
| 49⅜ | 41½ | ASA | 3.00 | 0.06 | 13 | 606 | 46 | 45⅞ | 45½ | −½ |
| 47⅞ | 39¼ | Abbott Lab | | | | 209461 | 46⅞ | 45⅞ | 46¼ | +⅞ |
| 13 | 9⅞ | Abitibi Pr | 0.50 | 0.04 | 19 | 399 | u13 | 12½ | 13 | +½ |
| 11⅛ | 10⅞ | ACM Gvt In x | | | | 348 | 11 | 10⅞ | 10⅞ | −⅛ |
| 9⅝ | 8¾ | ACM GvOpp x | | | | 74 | 9¼ | 9⅛ | 9⅛ | |
| 9 | 8⅛ | ACM Gvt Sp x | 0.34 | 0.04 | | 194 | 8⅞ | 8⅝ | 8⅞ | +⅛ |
| 10⅝ | 9⅞ | ACM Gvt Se | | | | 362 | 10½ | 10⅛ | 10⅛ | −⅛ |
| 8¼ | 7⅝ | ACM Man x | | | | 261 | 8 | 7⅞ | 7⅞ | |
| 12⅝ | 11⅞ | ACM Managd x | | | | 261 | 12½ | 12⅜ | 12½ | |
| 7⅛ | 4¼ | Acme Cleve | 0.40 | 0.06 | 20 | 25 | 7 | 6¾ | 7 | +⅛ |
| 6 | 4¾ | Acme Elect | | | 16 | 115 | 5⅛ | 5 | 5 | |
| 37⅝ | 22⅝ | Acuson | | | 27 | 466 | 37 | 36⅞ | 36¾ | +⅛ |
| 17 | 14¼ | Adams Expr | 0.48 | 0.03 | 0 | 66 | u17 | 16⅞ | 17 | |
| 20 | 18⅞ | Adobe12Pf | | | | 11 | 19⅝ | 19½ | 19⅝ | +¼ |
| 9¼ | 7½ | Adobe Res | | | 23 | 170 | 8⅞ | 8⅝ | 8⅞ | +⅛ |
| 27⅞ | 18 | Ad Micro x | | | | 170 | u28¼ | 27½ | 28 | +½ |
| 9⅞ | 4⅝ | Ad Micro P | 3.00 | 0.30 | 19 | 1864 | u9⅞ | 9⅝ | 9⅞ | +⅝ |
| 4⅝ | 2⅛ | Advest Grp | | | 3 | 157 | 3⅞ | 3½ | 3⅞ | +⅛ |
| 46⅞ | 33⅞ | Aetna Lf | 2.76 | 0.06 | | 71662 | 46¼ | 44⅞ | 45⅞ | +⅞ |
| 10⅝ | 6⅝ | Ahmanson A | 0.24 | 0.02 | 29 | 966 | 10¼ | 9⅞ | 10¼ | +⅛ |

[illegible]

# NYSE COMPOSITE PRICES

Continued from previous page

| 1991 High | 1991 Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 12⅝ | 9¾ | Quaker St | 0.60 | 0.05 | 17 | 526 | u12⅞ | 12⅝ | 12¾ | +⅛ |
| 17⅞ | 11⅜ | Quanex | 0.48 | 0.03 | 8 | 727 | u18¼ | 17⅞ | 18¼ | +⅝ |
| 19⅞ | 11⅛ | Quantum Ch | | | 22 | 1024 | 18 | 17⅝ | 18 | +⅜ |
| 14¼ | 10½ | QuestVal D | | | | 581 | u14¼ | 13⅞ | 14¼ | +¼ |
| 13½ | 12⅝ | QuestVal P | | | | 209 | 13⅝ | 13¼ | 13⅜ | |
| 38¾ | 33¼ | Questar | 1.96 | 0.05 | 13 | 405 | u38¼ | 37¾ | 38⅛ | +⅛ |
| 17¾ | 10 | Quick Rly x | 0.26 | 0.02 | 14 | 286 | u17¾ | 17¼ | 17¾ | +¼ |

- X - Y - Z -

| 1991 High | 1991 Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 20¼ | 14⅛ | Xtra 1.94 | | | | 123 | u20⅜ | 20¼ | 20¼ | +⅛ |
| 23⅛ | 14¼ | Xtra Corp | 0.72 | 0.05 | 12 | 70 | u23¼ | 23⅛ | 23¼ | +⅛ |
| 1½ | ⅝ | Zapata | | | 0 | 1179 | 1⅜ | 1¼ | 1⅜ | |
| 8 | 6⅛ | ZenithElec | | | 4 | 770 | 7⅞ | 7⅝ | 7⅞ | +¼ |
| 16⅝ | 12 | Zenith Nat | 1.00 | 0.06 | 35 | 69 | u16¾ | 16½ | 16⅝ | |
| 5⅞ | 4½ | Zenix Inc | 0.28 | 0.05 | | 244 | u5½ | 5¼ | 5½ | +¼ |
| 13⅞ | 10⅞ | Zero Corp | 0.72 | 0.05 | 13 | 299 | 13¼ | 12⅞ | 13¼ | +1 |
| 41⅞ | 29½ | Zurn Ind | 0.88 | 0.02 | 16 | 257 | 39¾ | 39½ | 39½ | |
| 12⅝ | 10¼ | Zweig Fund | | | | 288 | u12¾ | 12½ | 12⅝ | +⅛ |
| 9⅞ | 8½ | Zweig Tod | | | | 661 | 9⅝ | 9½ | 9½ | −⅛ |

*Price data supplied by Telekurs.*

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

3:00 pm prices March 5

# NASDAQ NATIONAL MARKET

3:00 pm prices March 5

- X - Y - Z -

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Xilinx | | 45 | 9011 | u21½ | 20¼ | 21½ | +1 |
| XL Data | | 10 | 1137 | 7¼ | 6½ | 7¼ | +½ |
| Xoma Corp | | 19 | 5574 | u32¾ | 30⅜ | 32¾ | +⅝ |
| YankeeEE x | 1.52 | 16 | 29 | 21 | 19⅞ | 20⅞ | +⅝ |
| Yellow Fr | 0.94 | 13 | 2344 | 32¼ | 31¼ | 32⅛ | +⅝ |
| York Rsch | | 19 | 782 | 18 | 17½ | 18 | +⅛ |
| ZionsUtah | 0.60 | 8 | 4 | 35¼ | 35¼ | 35¼ | |

AMERICA

# Strength in futures and bonds helps Dow advance

## Wall Street

A SURGE in the futures market led US equities broadly higher yesterday morning in active trading, *writes Karen Zagor in New York.*

At 2 pm, the Dow Jones Industrial Average was up 44.06 at 2,958.17. On the big board, advancing issues led those declining by a ratio of three to one. The Standard & Poor's 500 rose 5.78 to 375.11 by 1 pm and the New York Stock Exchange composite added 2.80 to 204.88. On Monday, the Dow closed up 4.21 at 2,914.11.

A strong bond market also supported share prices. At midsession, the long bond was quoted ⅝ higher for a yield of 8.25 per cent.

Technology issues paced yesterday morning's rally, with IBM adding $1⅞ to $132, Compaq gaining $1⅜ to $70¼, Digital Equipment rising $1⅞ to $77¼ and Cray Research up $2⅛ at $43.

K Mart, a large US retailer, climbed $1¼ to $39¼ in active trading after an analyst at Kidder Peabody repeated a "buy" recommendation on the stock. Mr Daniel Barry, an analyst at Kidder Peabody, expects the company to outperform the US retail industry, turning in same store sales gains of more than 5 per cent in February.

Alaska Air added $1 to $23⅝ after an analyst at Merrill Lynch upgraded the stock rating and increased earnings estimates to $1.80 a share from $1.30.

UAL, parent of United Airlines, climbed $4⅜ to $141⅞. The company has filed with the Securities & Exchange Commission to sell 1.5m common shares to the public.

ITT slid $⅝ to $56⅝ after it warned analysts that 1991 would be a difficult year. However, the company still hopes to improve operating earnings.

Hewlett-Packard firmed $1¼ to $49 on reports that it plans to introduce three super-fast workstations later this month.

First City Bancorp plummeted $1⅞ to $5⅝. The company will suspend dividend payments on both its common and preferred stock in an attempt to improve its capital position.

Technology issues also led the secondary market higher. At midsession, the Nasdaq composite was up 8.07 at 469.19. Apple Computer rose $3⅝ to $62 after the company said that it would support an IBM effort which would extend the communication capability of Apple's Macintosh computers. Microsoft jumped $4⅞ to $111⅞, a 52-week high.

Health Risk Management plunged $6¼ to $12 after the company said that 1991 revenues would be lower than expected. For the first half of the year, the company's revenues were $9.9m.

## Canada

TORONTO stocks rose to their highest level this year. At midmorning, the composite index sailed past the year's closing high of 3,532.54 set in February and, by midsession, stood 26.2 higher at 3,545.3. Advances led declines by 283 to 163 on volume of 17.26m shares.

All sectors except gold advanced. Bank shares continued to lead the market. Toronto-Dominion rose C$⅛ to C$18, Royal Bank of Canada gained C$½ to C$25, Bank of Nova Scotia added C$¼ to C$16½ and Canadian Imperial firmed C$¼ to C$31.

Maple Leaf Gardens gained C$2 to C$32¼ after jumping C$3 on Monday. The Gardens, which control the Toronto Maple Leafs hockey franchise, are caught in a legal battle for control of the property.

# Brussels shows off its home-made finery

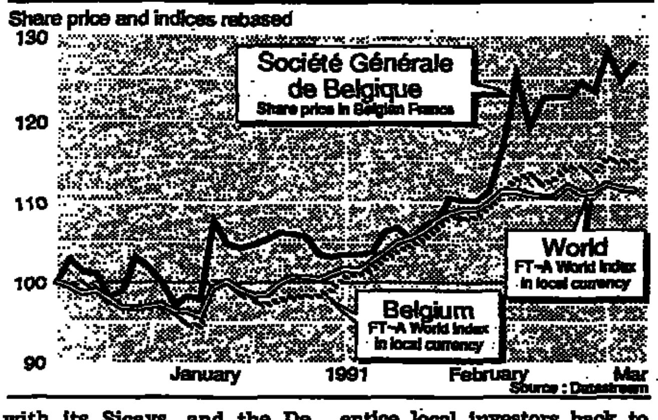
## Tax-free equity funds and La Générale have attracted investors back, says Andrew Hill

BRUSSELS seems buoyant. In the first nine weeks of 1991, the Belgian cash market index has outperformed both London and New York with a rise of 720 points or nearly 15 per cent. For now, it looks as though the Belgian bulls are back.

True, Brussels has responded to the same influences as other world markets. But although the bourse may owe some of its glitter to good news from the Gulf and the global trend towards lower interest rates (in Belgium they have fallen from 10 per cent to 9 per cent), it also has some home-made finery to show off.

For example, the Belgian finance minister – who seemed to favour bonds over equities – has earned plaudits from analysts for a much-needed reform of the financial markets, by promoting Belgian Sicavs (sociétés d'investissement à capital variable). These equity funds, a French invention, allow investors to roll up dividend income, free of tax.

Luxembourg has lured Belgian savings for some time with its Sicavs, and the De Clercq Funds – Belgian equity funds which no longer offer tax advantages – have suffered proportionately. At the same time, the illiquidity of the Brussels market has deterred international investors.




Equity analysts now hope the De Clercq Funds, restricted to investments in Belgian equity and cash, will be able to convert into Sicavs, while the creation of new Sicavs should entice local investors back to the bourse.

High-yielding stocks – a favourite of the small investor – and interest rate-sensitive shares already seem to be attracting attention. Générale de Banque and Powerfin, the electricity utility, were among the best performers in the first two months of the year, rising by more than 22 per cent.

At the same time, the country's largest holding company, Société Générale de Belgique, has exercised its usual gravitational pull on the market. The sale of Mr Carlo De Benedetti's outstanding investment in the group to the majority shareholder, Compagnie de Suez, and, before that, the replacement of La Générale's managing director, stoked speculation in the holding company's stock (up more than 20 per cent since the beginning of the year) and that of its quoted satellites.

Perhaps, investors reasoned, a new broom would sweep out some of La Générale's minority interests in mature businesses such as CBR, the cement company, or Acec-Union Minière, the non-ferrous metals group.

Boosted by such speculation, the cyclical stocks which make up an unusually high proportion of the market capitalisation have also risen sharply in the first weeks of the year. As one London-based analyst puts it: "There have been two themes in Belgium this year – high-yielding stocks and bombed-out cyclicals."

In fact, CBR is the unlikely star of the 1991 equity market. Its ordinary shares closed at BFr7,560 on Tuesday, a rise of nearly 35 per cent since the end of 1990, but that follows a collapse from BFr9,940 to BFr5,700 in the final few months of last year.

Sceptics and pessimists point out that, in spite of the euphoria, La Générale has not announced a dramatic restructuring of its assets, and there is no hard evidence of an upturn in cyclical businesses.

The approaching corporate results season may puncture the balloon. "Company statements will be very cautious and may verge on the downright negative," warns one analyst. But so far Belgian investors have not had the nerve to jump off the bandwagon.

**BRUSSELS started the new account in good form. The cash market index added 13.63 to 5,634.74 yesterday in volume of BFr858m. Steelmaker Cockerill Sambre was the leading gainer, jumping 5.6 per cent to BFr170 with 77,000 shares traded.**

ASIA PACIFIC

# Nikkei falls on central bank economic report

## Tokyo

PROFIT-TAKING emerged again yesterday, as hopes of an easier monetary policy receded on the announcement of the central bank's economic report, *writes Emiko Terazono in Tokyo.*

Late selling left the Nikkei average down 62.54 at 25,913.48, against a high for the day of 26,148.87 just after lunch, and a low of 25,896.74 on the Bank of Japan's "tankan" or quarterly economic survey, which indicated that the supply-demand situation was still tight for goods and services and for the labour market. Ms Miki Koshiba at S.G. Warburg said growth of the Japanese economy still seemed to be on a high plateau.

Volume rose from 360m shares to 550m. Traders attributed the increase to cross-trading, in order to realise profits without portfolio changes before the March book closing. Declines led gains by 491 to 469 with 164 issues unchanged. The Topix index of all first section stocks closed 3.18 up at 1,928.98, and in London the ISE/Nikkei 50 index edged ahead 1.14 to 1,489.20.

Traders expected activity to stay sluggish for some time. Ms Caroline Stone at Barclays de Zoete Wedd noted that domestic institutions had become less active before the March book closing, and that foreigners had lost some of their appetite for the Tokyo market.

Interest rate-sensitive, large-capital issues lost ground as hopes of an early cut in the discount rate faded. Nippon Steel shed Y8 to Y486 and Mitsubishi Heavy Industries declined Y18 to Y780.

Individuals dabbled in speculative shares. Keisei Electric Railway, the day's most active stock, advanced Y50 to Y1,770, the sixth consecutive session's rise, on rumours that it would be connecting its railway line to the Narita International Airport, and on its business collaboration with Tokyo Disneyland.

Kurabo Industries gained Y80 to Y1,940 and Howa Machinery, an industrial machine maker, put on Y20 to Y1,170. Howa climbed to a record Y1,220 in the afternoon on rumours that a speculative group based in Kyushu, in southern Japan, was actively buying its shares.

Dowa Mining firmed Y22 to Y790 as copper and aluminium prices rose on overseas markets. Sumitomo Metal Mining appreciated Y60 to Y1,260.

Blue chip high-technology issues with high export ratios rose on reports of a shorter than expected US recession. Toshiba added Y14 at Y878 and Sony Y60 at Y6,850.

In Osaka, the OSE average improved 46.86 to 28,695.52 on volume of 39.1m shares. Murata Manufacturing advanced in the morning on investment trust buying, but receded later on profit-taking to end unaltered at Y2,720.

## Roundup

BLUE CHIPS led the way as a number of Pacific Rim markets responded to New York's overnight stability, rather than Tokyo's easier tone.

HONG KONG continued its rally in heavy trading. The Hang Seng index broke through 3,600 for the first time since October 16, 1987, with a rise of 36.15 or 1 per cent to 3,600.49. Turnover expanded from HK$1.72bn to HK$2.02bn.

Utilities posted the sharpest gains, followed by property. Hong Kong Telecom, the market's biggest issue, moved ahead 15 cents to HK$7.30.

SINGAPORE's Straits Times Industrial index moved up 11.87 to a 1991 high of 1,484.72 as volume climbed from S$237m to S$334m.

Blue chips led the rally, with shipping, real estate, retail and hotels on many buying lists. Sembawang Shipyard was an exception, down 45 cents at S$6.25 on lower than expected earnings.

KUALA LUMPUR noted strong support for quality stocks as the composite index gained 9.72 or 1.7 per cent to a seven-month high of 577.55. Renong led the actives list with 6.1m shares traded as it rose 6 cents to M$1.89.

SYDNEY focused on domestic economic issues in nervous trading. The All Ordinaries index lost 12.2 to 1,375.0 and turnover dropped from A$342m to A$190m.

Prime Minister Bob Hawke said yesterday that the Australian economy remained weak, and Mr John Button, industry minister, said figures due on March 21 would show the economy contracted again in the final 1990 quarter, the third consecutive quarter of declining gross domestic product.

National Australia Bank, making a one-for-five rights issue of shares to raise more than A$1bn, retreated 20 cents to A$5.78.

MANILA firmed in slow trading, the composite index adding 7.59 at 941.09.

NEW ZEALAND slipped another 1 per cent, the Barclays index falling 13.49 to 1,323.87 in turnover of NZ$9.9m, against NZ$8m. Brierley Investments eased 3 cents to NZ$1.05 before tomorrow's results.

TAIWAN's weighted index fell 97.33 or 2.1 per cent to 4,527.51 in turnover down from T$38.6bn to T$33.9bn. The market showed little reaction to reports that the government would not expand its investigation of stock income tax evasion beyond its inquiries on a few big players. Traders have blamed the crackdown for the recent market decline.

BOMBAY was pleased by the interim budget, presented on Monday. The BSE index strengthened 20.49 to 1,245.93. Car shares were subdued on disappointment that the government did not remove the 25 per cent "Gulf surcharge" on petroleum products.

EUROPE

# Hopes of lower rates produce active buying

THE HIGH level of institutional liquidity produced active buying in most bourses yesterday. The rise gathered pace in the afternoon, mainly on interest rate hopes and Wall Street's opening strength, *writes Our Markets Staff.*

**MADRID** was popular with foreign and local buyers, who focused on big, liquid stocks, as well as speculative shares. The Madrid general index gained 5.14 or 2 per cent to 268.17 in turnover of Pta21bn, up from Pta17bn.

Among the day's winners, Banco Popular rose Pta240 to a 1990/91 high of Pta10,100.

Hopes of contracts in the Gulf and takeover rumours stirred up domestic interest. Tubacex, the steel pipe maker, jumped Pta59 or 9 per cent to Pta715, in continued active trade of 1.15m shares, and Altos Hornos Vizcaya, the steel maker, shot up Pta34 or 14.6 per cent to Pta267, on 1.2m shares. One analyst said that none of the speculation seemed very soundly based.

Nissan Motor Iberica fell Pta20 to Pta575. The market was disappointed by the news that the company would not pay a final dividend for 1990.

**PARIS** gained another 1.9 per cent and cleared the 1,800 level on the CAC 40 index. Domestic institutional buying helped lift the index 33.89 to 1,800.63 in turnover of about FFr3.1bn, up from FFr2.7bn.

The market was now overbought and a correction imminent, said an analyst, adding that any interest rate cut had been fully discounted.

Demand focused on cyclical stocks. CMB Packaging gained another FFr6 to FFr139.50 with 479,750 shares traded, for a two-day rise of 10.3 per cent. The stock is regarded as sensitive to interest rates because of its level of debt, although much of that debt is at fixed rates.

**AMSTERDAM** hit a high for the year on buying across the board. The CBS Tendency index rose 1.3 points or 1.4 per cent to 91.0 in volume of Fl 786m.

Elsevier, the publisher, fell Fl 2.90 or 3.7 per cent to Fl 74.50 in volume of Fl 145.17m as Goldman Sachs, the US investment house, offered Pearson's 22.2 per cent stake to institutions at a reported price of Fl 74. Dealers said that the terms were a temptation to institutions, many of which were immediately selling back the shares into the market.

One fund manager pointed out that many UK institutions already had sufficient Elsevier stock in their portfolios and were reluctant to take a larger holding in a company which had gone ex-growth. Speculation that Elsevier was planning to use the cash raised from the sale of its stake in Wolters Kluwer to fund another acquisition also worried investors.

**FRANKFURT**'s DAX index ended 9.4 or less than 1 per cent higher at 1,540.26 after a rise of 7.55 to 659.47 in the FAZ at midsession; but post-bourse prices in London reflected a higher afternoon trend. Volume rose from DM5.6bn to DM5.8bn as selective investment in blue chips ran in parallel with trading in special situations.

Among the leaders, chemicals saw another good day for Schering, up DM13.50 to DM773 for a two-day gain of DM34.50.

Special situations included Harpener, up DM24 at DM384 after the sale of a 19.95 per cent stake by Omni of Switzerland to Lonrho of the UK; and Continental, the tyre company being pursued by Pirelli of Italy, which dropped DM16 or 6.4 per cent to DM235.50, apparently on profit-taking after steep rises last week.

**ZURICH** industrials continued to rise on the recent improvement in the dollar, the Crédit Suisse index closing 5.0 higher at 548.9. Alusuisse stood out, the bearers rising SFr40 to SFr1,110 on lower profits and a higher dividend. Its plan to open the registered shares to foreigners left the latter only SFr10 higher at SFr550, but this class had already seen a rise of 20 per cent since late in January.

**MILAN** saw most of the day's activity in the last 15 minutes of trading as prices rose following better-than-expected mutual fund figures for February, showing a net inflow of L603bn after a L22bn net outflow in January. However, the approach of the options expiry day next Tuesday prompted some selling. The Comit index rose 1.28 to 562.50 in volume estimated at near Monday's L126bn.

Generali, expected to release 1990 results shortly, fell L270 to L34,670.

**STOCKHOLM** was led higher by Astra and Ericsson. The Affärsvärlden General index added 3.6 to 1,067.6 in turnover of SKr390m. Volvo free B shares closed steady at SKr292 before reporting a pre-tax loss of SKr327m in 1990. Ericsson free Bs climbed SKr7 to SKr214 and Astra free Bs added SKr8 to SKr523. OSLO's all-share index rose 5.22 to 489.71 in good turnover of NKr458m.

**ISTANBUL** fell sharply again, the 75-share index losing 274.3 or 5.8 per cent to 4,464.68.

**FT-SE Eurotrack 100 - Mar 5**

Hourly changes

| Open | 10 am | 11 am | Noon | 1 pm | 2 pm | 3 pm | Close |
|---|---|---|---|---|---|---|---|
| 1060.18 | 1059.88 | 1061.00 | 1061.44 | 1060.77 | 1063.07 | 1063.71 | 1064.17 |

Day's High 1064.45 Day's Low 1059.67

| Mar 4 | Mar 1 | Feb 28 | Feb 27 | Feb 26 |
|---|---|---|---|---|
| 1054.99 | 1045.70 | 1058.74 | 1056.65 | 1050.88 |

Base value 1000 (26/10/90)

SOUTH AFRICA

JOHANNESBURG gained after a slow start yesterday, but volume was light before the budget in two weeks. The all-gold index rose 4 to 1,087 and the industrial index added 14 to to 3,214. The all-share index advanced 24 to 2,828.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | MONDAY MARCH 4 1991 | | | | | | | | FRIDAY MARCH 1 1991 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1990/91 High | 1990/91 Low | Year ago (approx) |
| Australia (75) | 129.31 | −1.7 | 101.06 | 110.76 | 103.30 | 110.73 | −0.7 | 6.06 | 131.54 | 102.75 | 111.84 | 105.12 | 111.51 | 158.31 | 112.74 | 139.95 |
| Austria (19) | 213.02 | −0.7 | 166.49 | 182.46 | 170.17 | 170.24 | −0.5 | 1.60 | 214.59 | 167.63 | 182.45 | 171.48 | 171.10 | 285.63 | 167.00 | 266.13 |
| Belgium (60) | 148.91 | −0.1 | 116.38 | 127.54 | 118.95 | 116.05 | +0.0 | 5.06 | 149.14 | 116.50 | 126.79 | 119.17 | 116.04 | 180.02 | 121.73 | 136.50 |
| Canada (116) | 139.46 | +1.2 | 109.00 | 119.45 | 111.40 | 116.69 | +1.4 | 3.43 | 137.80 | 107.64 | 117.15 | 110.11 | 115.05 | 153.61 | 121.24 | 141.06 |
| Denmark (32) | 261.97 | −0.4 | 204.74 | 224.39 | 209.27 | 210.13 | −0.4 | 1.65 | 263.01 | 205.45 | 223.62 | 210.17 | 210.88 | 277.62 | 217.74 | 246.79 |
| Finland (21) | 113.80 | +0.2 | 88.94 | 97.48 | 90.91 | 88.64 | +0.4 | 3.17 | 113.58 | 88.72 | 96.57 | 90.76 | 88.32 | 152.29 | 90.61 | 147.11 |
| France (113) | 148.35 | +1.0 | 115.94 | 127.06 | 118.50 | 121.71 | +1.0 | 3.39 | 146.81 | 114.68 | 124.81 | 117.31 | 120.56 | 168.85 | 121.85 | 146.01 |
| Germany (88) | 118.27 | +0.5 | 92.43 | 101.31 | 94.47 | 94.47 | +0.5 | 2.41 | 117.67 | 91.91 | 100.05 | 94.02 | 94.02 | 144.63 | 101.38 | 126.87 |
| Hong Kong (48) | 145.00 | +0.3 | 113.32 | 124.19 | 115.83 | 145.04 | +0.3 | 4.63 | 144.52 | 112.89 | 122.87 | 115.49 | 144.59 | 147.49 | 112.24 | 120.50 |
| Ireland (16) | 169.94 | −0.1 | 132.82 | 145.56 | 135.75 | 137.78 | −0.1 | 3.32 | 170.07 | 132.84 | 144.59 | 135.90 | 137.88 | 198.57 | 132.88 | 186.71 |
| Italy (91) | 83.49 | +0.2 | 65.25 | 71.51 | 66.69 | 71.58 | +0.1 | 3.53 | 83.36 | 65.11 | 70.87 | 66.61 | 71.53 | 109.26 | 72.05 | 94.44 |
| Japan (453) | 138.71 | −1.2 | 108.41 | 118.81 | 110.82 | 118.81 | −0.4 | 0.72 | 140.33 | 109.61 | 119.31 | 112.15 | 119.31 | 197.26 | 106.58 | 162.64 |
| Malaysia (34) | 231.34 | +1.2 | 180.80 | 198.14 | 184.79 | 242.74 | +1.3 | 3.11 | 228.61 | 178.58 | 194.36 | 182.67 | 239.68 | 250.89 | 182.96 | 236.75 |
| Mexico (12) | 609.84 | +0.5 | 476.62 | 522.34 | 487.16 | 1982.64 | +0.5 | 0.35 | 606.72 | 473.93 | 515.83 | 484.82 | 1973.17 | 613.96 | 324.53 | 384.77 |
| Netherland (41) | 142.34 | +0.5 | 111.24 | 121.91 | 113.70 | 112.52 | +0.5 | 4.81 | 141.62 | 110.62 | 120.40 | 113.17 | 111.92 | 149.03 | 125.70 | 132.36 |
| New Zealand (15) | 47.51 | −2.4 | 37.13 | 40.70 | 37.95 | 42.17 | −2.0 | 8.06 | 48.70 | 38.04 | 41.40 | 38.91 | 43.01 | 75.36 | 41.18 | 65.24 |
| Norway (30) | 217.00 | +2.4 | 169.59 | 185.86 | 173.35 | 176.65 | +2.6 | 1.65 | 211.81 | 165.45 | 180.09 | 169.26 | 172.21 | 278.79 | 182.24 | 239.40 |
| Singapore (25) | 198.19 | +1.1 | 154.89 | 169.75 | 158.31 | 158.37 | +1.4 | 2.29 | 196.05 | 153.14 | 166.68 | 156.68 | 156.25 | 209.24 | 147.24 | 193.77 |
| South Africa (60) | 200.95 | +0.5 | 157.05 | 172.11 | 160.52 | 139.89 | +0.3 | 3.93 | 199.94 | 156.18 | 169.99 | 159.77 | 139.41 | 251.39 | 151.50 | 198.01 |
| Spain (41) | 163.76 | +0.1 | 127.98 | 140.27 | 130.81 | 118.60 | +0.2 | 4.78 | 163.57 | 127.77 | 139.07 | 130.71 | 118.40 | 182.25 | 128.54 | 148.01 |
| Sweden (27) | 195.09 | +0.5 | 152.47 | 167.10 | 155.85 | 164.62 | +0.6 | 2.50 | 194.18 | 151.68 | 165.10 | 155.17 | 163.57 | 234.93 | 146.60 | 180.12 |
| Switzerland (65) | 96.74 | +1.0 | 75.61 | 82.86 | 77.29 | 80.25 | +1.5 | 2.55 | 95.82 | 74.85 | 81.47 | 76.58 | 79.09 | 109.77 | 82.17 | 93.53 |
| United Kingdom (296) | 181.93 | −0.1 | 142.19 | 155.81 | 145.32 | 142.19 | −0.1 | 4.97 | 182.15 | 142.28 | 154.84 | 145.54 | 142.28 | 182.73 | 139.87 | 148.50 |
| USA (526) | 149.65 | −0.3 | 116.96 | 128.19 | 119.55 | 149.65 | −0.3 | 3.28 | 150.09 | 117.24 | 127.61 | 119.94 | 150.09 | 150.09 | 119.06 | 135.25 |
| Europe (940) | 147.44 | +0.3 | 115.23 | 126.29 | 117.79 | 116.93 | +0.3 | 4.02 | 147.08 | 114.88 | 125.03 | 117.52 | 116.58 | 157.65 | 124.91 | 136.38 |
| Nordic (110) | 193.75 | +0.4 | 151.42 | 165.95 | 154.77 | 153.13 | +0.5 | 2.07 | 193.08 | 150.82 | 164.15 | 154.28 | 152.43 | 223.29 | 155.55 | 188.16 |
| Pacific Basin (650) | 138.26 | −1.1 | 108.05 | 118.42 | 110.44 | 119.03 | −0.4 | 1.06 | 139.81 | 109.21 | 118.87 | 111.72 | 119.50 | 192.75 | 107.82 | 160.24 |
| Euro–Pacific (1590) | 142.37 | −0.5 | 111.27 | 121.93 | 113.72 | 119.00 | −0.1 | 2.31 | 143.13 | 111.81 | 121.68 | 114.37 | 119.12 | 174.18 | 116.03 | 150.94 |
| North America (642) | 148.94 | −0.2 | 116.40 | 127.58 | 118.99 | 147.45 | −0.2 | 3.29 | 149.25 | 116.59 | 126.91 | 119.29 | 147.75 | 149.25 | 119.26 | 135.50 |
| Europe Ex. UK (644) | 126.41 | +0.5 | 98.80 | 108.30 | 101.00 | 102.14 | +0.6 | 3.29 | 125.73 | 98.21 | 106.92 | 100.49 | 101.55 | 145.62 | 106.85 | 127.48 |
| Pacific Ex. Japan (197) | 132.03 | −0.6 | 103.19 | 113.11 | 105.48 | 117.55 | −0.1 | 5.16 | 132.89 | 103.80 | 113.00 | 106.20 | 117.70 | 146.72 | 111.40 | 130.96 |
| World Ex. US (1778) | 143.12 | −0.5 | 111.85 | 122.59 | 114.33 | 119.62 | +0.0 | 2.37 | 143.78 | 112.31 | 122.25 | 114.90 | 119.67 | 173.77 | 117.12 | 151.19 |
| World Ex. UK (2008) | 140.54 | −0.4 | 109.84 | 120.39 | 112.28 | 127.63 | −0.1 | 2.40 | 141.16 | 110.27 | 120.02 | 112.81 | 127.81 | 162.00 | 115.37 | 144.09 |
| World Ex. So. Af. (2244) | 143.87 | −0.4 | 112.44 | 123.24 | 114.94 | 128.99 | −0.1 | 2.68 | 144.47 | 112.85 | 122.84 | 115.45 | 129.17 | 161.84 | 118.04 | 144.13 |
| World Ex. Japan (1851) | 148.50 | +0.0 | 116.06 | 127.21 | 118.65 | 134.45 | +0.0 | 3.64 | 148.56 | 116.04 | 126.31 | 118.73 | 134.44 | 151.59 | 124.31 | 136.52 |
| The World Index (2304) | 144.22 | −0.4 | 112.71 | 123.53 | 115.21 | 129.07 | −0.1 | 2.69 | 144.80 | 113.11 | 123.11 | 115.72 | 129.24 | 162.05 | 118.33 | 144.46 |


Constituent changes 5/3/91: Addition: Intl. Nederlanden Group (Netherlands). Deletions: Nat-Nederlanden and NMB Postbank (both Netherlands).
Latest prices were unavailable for this edition.

## FT LAW REPORTS

# Underwriters must extend cover

TOUCHE ROSS AND OTHERS v BAKER
Court of Appeal (Lord Justice Neill, Lord Justice Mann and Sir David Croom-Johnson):
February 28 1991

**A DISCOVERY extension clause in a line slip insurance policy entitling the assured to extension of cover after non-renewal by the underwriter, is not a collective condition binding only if all participating syndicates refuse to renew, but is binding on the individual members of each non-renewing syndicate irrespective of whether others have decided to renew.**

The Court of Appeal so held when dismissing an appeal by Mr Colin Baker, representative defendant for Lloyd's syndicate 126, from Mr Justice Leggatt's declaration that they were bound to indemnify the plaintiffs, Touche Ross and five other accountancy firms, under excess professional indemnity policies.

LORD JUSTICE NEILL said that in the 1970s and early 1980s, substantial lines of professional indemnity insurance were underwritten by syndicate 126.

Syndicate 126 participated in primary policies and in various layers of excess insurance.

The relevant policies were all written as declarations under line slips. The line slips were initialled first by the leading underwriter and then by the active underwriter of the syndicate.

The primary policies and the first excess layer policies were for 36 months from June 1 1984. The conditions of the primary policy were set out in clause IV. The first excess layer policy was subject to the same terms and conditions.

Clause IV condition 3 provided for the premium to be paid for each of the three years of the policy. Clause IV condition 3(b) provided that on each anniversary date of the policy, expiry should be extended for a year unless a year's notice of non-extension had been given by either party.

Clause IV condition 5 provided for discovery extension cover.

Discovery extension cover was cover against claims made after the underwriters' cancellation or refusal to renew or extend, but which arose from acts committed before such cancellation or refusal to renew or extend.

Condition 5 provided that "if the underwriters shall refuse to extend this policy", the assured had the right on payment of an additional premium, to "extension of the cover granted by this policy," for claims made within 36 months after date of termination, in respect of acts committed before date of termination.

In March 1985 notice of non-extension was given under clause IV 3(b) of the primary policy, to expire May 31 1987. Similar non-extension notices were given by the leading syndicate on behalf of all syndicates on the first excess layer policies.

Some syndicates negotiated fresh extension terms. Others, including syndicate 126, maintained the non-extension notice.

In April 1985 syndicate 126 accepted a line on the third excess layer. The policies contained a discovery extension clause. In March 1986 the syndicate gave notice of cancellation of its line on the third excess layer policies.

The assureds gave notice to exercise their rights under the discovery clauses in the first and third excess layer policies.

Syndicate 126 argued that because some syndicates had renewed, discovery extension rights could not be exercised against it. It said the rights had to be exercised against all underwriters, or none.

In October 1988 the accountancy firms issued a writ. They sought a declaration that they were entitled to discovery extension cover on the third and first excess layer policies.

The underwriters counterclaimed declarations that the rights to discovery extension cover could not be exercised solely against members of syndicate 126, but only against members of all participating policies.

It was common ground that an underwriting member of Lloyd's undertook a several liability (see section 8, Lloyd's Act 1982).

That principle was underlined by the wording of the excess layer policies – "We, the underwriters ... hereby bind ourselves each for his own part and not one for another ..."

However, Lloyd's underwriters acted collectively through the syndicate system.

The syndicate system operated by vesting control in an underwriting agent who acted on behalf of syndicate members. He might delegate control to a sub-agent. Either the underwriting agent or the sub-agent would employ the active underwriter, who was given complete authority to bind the names in the syndicate for which he acted.

Each syndicate therefore acted through its active underwriter. Syndicates participating in a particular policy would also act collectively and would vest authority in the leading underwriter. He would act, for that purpose, not only on behalf of the leading syndicate, but also on behalf of other syndicates who had written lines.

It followed, the underwriters submitted, that though individual underwriters' liability to indemnify was several, for many purposes "the underwriters" in the policies meant the underwriters collectively.

Accordingly, it was argued, the right to give notice of non-extension was to be exercised collectively.

Counsel argued that in the discovery extension clauses, "an extension of the cover granted by the policy" must relate to the type and scope of cover then in existence.

He said extension cover provided by only some of the underwriters was not "an extension of the cover granted by the policy". The cover which was granted by the renewing underwriters was in effect *new* cover.

Mr Justice Leggatt rejected the arguments. He concluded that "this policy" referred to the particular insurance granted by the line, and that "cover granted by the policy" comprised the indemnity afforded by it, subject to its extensions, exclusions and other conditions.

He said it followed that syndicate 126 was bound to the extent of its line to afford indemnity to the plaintiffs under the discovery extension clause in their respective policies.

The underwriters appealed.

It was true that the individual policy was expressed as a policy between the assured and the participating underwriters as a group.

But in fact and in law "the policy" meant and included a bundle of separate contracts.

Accordingly, though for certain purposes the underwriters acted collectively, it was necessary to examine in any particular case whether an individual syndicate retained the right to act separately.

It was relevant to remember that, though the insurance period might be three years, at the annual renewal there might be changes in the participating syndicates and almost always changes in syndicate membership.

In *General Reinsurance v Fennia Patria [1983] QB 856,864* Lord Justice Kerr said "the slip method of placing insurance contracts results in the conclusion of separate contracts with the subscribers of the slip".

In *The Zephyr [1984] 1 Lloyd's Rep 58,66* Mr Justice Hobhouse explained that the slip or policy provided a contractual link between the assured and a large number of individual users.

He said "what might seem to be a single contract is in fact a bundle of a large number of distinct contracts on the same terms except as to the amount of each individual insurer's liability".

The fact that the policy incorporated a number of separate contracts meant that the individual syndicates were free not only to decide how to deal with a particular claim, but also to decide whether or not they wished to renew or cancel in accordance with the terms of the policy.

In making those decisions the individual syndicate would no doubt confer with other participating syndicates and with the leading underwriter. But there was no reason why their decision to renew coverage should affect the assured's right to claim discovery extension cover against other syndicates which might have decided not to renew.

It followed that "extension of the cover granted by the policy" in the discovery extension clauses meant extension of cover granted under the separate contracts.

Thus, in construing the policy, it was necessary to give full effect to the fundamental principle that the policy embraced a number of separate contracts.

That fundamental principle and the rights conferred by those separate contracts, must take priority over provisions designed to facilitate collective action where appropriate.

The appeal was dismissed.

Lord Justice Mann and Sir David Croom-Johnson agreed.

*For the underwriters: Anthony Boswood QC and Guy Philipps (Simmons & Simmons).*
*For Touche Ross: Jonathan Mance QC and Robert Bright (Lovell White Durrant).*

**Rachel Davies**
*Barrister*